TRANSCRIPT OF RECORD.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1906.7

No. [redacted].176.

THE BOBBS-MERRILL COMPANY, APPELLANT,

vs.

ISIDOR STRAUS AND NATHAN STRAUS, COPARTNERS, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF R. H. MACY & COMPANY.

APPEAL FROM THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

FILED DECEMBER 26, 1906.

(20,496.)

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INDEX.

	Page.
Transcript from the circuit court of the United States for the southern district of New York	1
Writ of subpœna	1
Bill of complaint	2
Replication	7
Stipulation of facts	8
Testimony of Adolph Mackel	10
Irving Putnam	21
John J. Curtis	40
Complainant's Exhibit 1—Copyright page of "The Castaway"	54
Answer	55
Stipulation of facts	61
Exhibit A—Plan of American Publishers' Association	62
B—Reform resolution No. 1	64
C—Plan of American Publishers' Association	67
D—Plan of American Publishers' Association	68
E—Plan of American Publishers' Association	70
F—Plan as amended March 4, 1903	73
G—Plan as amended January 14, 1904	75
H—Plan as amended April 1, 1904	83
I—Reform resolution No. 2	85

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., JANUARY 9, 1907.

	Page
Opinion, Ray, J	90
Decree	156
Petition of appeal and allowance	157
Assignment of errors	158
Bond	163
Citation	167
Clerk's certificate	168
Opinion	168½
Decree	180
Consent to file affidavits	181
Order to file affidavits	181
Affidavit of Wm. C. Bobbs	181
Affidavit of John J. Curtis	182
Petition for appeal	183
Allowance of appeal	183
Assignment of errors	184
Bond on appeal	185
Clerk's certificate	188
Citation and service	188

Writ of Subpœna.

[L. S.]

THE PRESIDENT OF THE UNITED STATES OF AMERICA, To ISIDOR STRAUS and NATHAN STRAUS, co-partners, doing business under the firm name and style of R. H. Macy & Co. Greeting:

You are hereby commanded that you and each of you personally appear before the Judges of the Circuit Court of the United States of America, for the Southern District of New York, in the Second Circuit, in Equity, on the first Monday of September A. D. 1904, wherever the said Court shall then be, to answer a bill of complaint exhibited against you in the said Court by The Bobbs-Merrill Company, and do further and receive what the said Court shall have considered in that behalf. And this you are not to omit under the penalty on you, and each of you, of two hundred and fifty dollars.

Witness, the Honorable Melville W. Fuller, Chief Justice of the United States, at the Borough of Manhattan, in the City of New York, on the 14th day of July, in the year of our Lord one thousand nine hundred and four, and of the Independence of the United States of America, the one hundred and twenty-ninth.

JOHN A. SHIELDS,
Clerk.

BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant.

The defendants are required to enter appearance in the above cause, in the Clerk's office of this Court, on or before the first Monday of September, 1904, or the bill will be taken *pro confesso* against them.

J. A. S.,
Clerk.

(Endorsed:) I hereby certify, that on the 14th day of July, 1904, at the City of New York, in my district, I served the within subpœna in equity upon the within-named defendants, Isidor Straus and Nathan Straus, by exhibiting to Sylvester Byrnes as private secretary for said defendants as per admission of service endorsed hereon at corner of Thirty-fourth Street and Broadway, New York City, N. Y., the within original, and at the same time leaving with him a copy for each thereof.—Wm. Henkel, United States Marshal, Southern District of New York.—Dated July 14th, 1904.—Service accepted July 14, 1904.—Sylvester Byrnes.—U. S. Circuit Court.—Filed July 14, 1904.—Southern District, New York.—John A. Shields, Clerk.

Bill of Complaint.

United States Circuit Court, Southern District of New York.

THE BOBBS-MERRILL COMPANY, Complainant,
against
ISIDOR STRAUS and NATHAN STRAUS, Co-partners doing business under the firm name and style of R. H. Macy & Co., Defendants,
} In Equity.

To the Honorable the Judges of the Circuit Court of the United States in and for the Southern District of New York in Equity sitting:

The Bobbs-Merrill Company brings this its bill of complaint against Isidor Straus and Nathan Straus, co-partners, doing business under the firm name and style of R. H. Macy & Company.

And thereupon your orator complains and says:

I. That your orator is and at all times hereinafter mentioned was a corporation duly organized and existing under the laws of the State of Indiana and engaged in the business of publishing and selling books and is a citizen and resident of said State of Indiana.

II. That defendants are and at all times hereinafter mentioned were co-partners transacting the business of purchasing and selling general merchandise and conducting a department store in the Borough of Manhattan, City and State of New York, under the firm name and style of R. H. Macy & Company, and, as your orator is informed and believes, each of said defendants is a citizen and resident of the State of New York and the Southern District of New York.

III. That your orator is the proprietor of a copyright book or novel in one volume, entitled and known as "The Castaway." That the author of said book was Hallie Erminie Rives. That prior to the publication of said book and prior to the month of May, 1904, the author thereof, said Hallie Erminie Rives, duly sold, assigned and transferred to your orator all her right, title interest and property in and to said book, and your orator thereupon became and at all times since said sale has been and still is the sole and exclusive proprietor and owner thereof.

IV. That your orator, being then proprietor of said book as aforesaid and desiring to secure a copyright thereof, before the day of publication of said book duly deposited in the mail within the United States, to wit, in the City of Indianapolis, in the State of Indiana, addressed to the Librarian of Congress, at Washington, District of Columbia, a printed copy of the title of said book and duly paid to said Librarian of Congress the fees required by law, to wit, fifty cents, for recording said title, and your orator did also not later than the day of publication

of said book in this or any foreign country, to wit, on the 24th day of May, 1904, deposit in the mail within the United States, to wit, in the City of Indianapolis, in the State of Indiana, addressed to the Librarian of Congress, at Washington, District of Columbia, two copies of said book printed from type set within the limits of the United States.

V. Your orator is informed and verily believes, and therefore avers, that the Librarian of Congress on the 18th day of May, 1904, duly recorded the name and title of said copyright book in pursuance of the statute in such case made and provided.

VI. That your orator has given due notice and information of its said copyright by inserting and printing in each and every copy of said book published, upon the page immediately following the title page thereof, the words and figures: "Copyright 1904. The Bobbs-Merrill Company. May ."

VII. That your orator being the proprietor of said book as aforesaid has duly complied with all the provisions of Chapter 3 of Title 60, patents and copyrights, of the revised statutes of the United States, the Acts of Congress amendatory thereof, and with all the Acts of Congress relating to copyrights, and had on the said 18th day of May, 1904, and at all times hereinafter mentioned had and still has the sole and exclusive liberty of printing, reprinting, publishing and vending the said copyright book.

VIII. That no copies of said book were sold or otherwise issued prior to securing the copyright thereon and that no copies of said book have since the date of perfecting said copyright thereof been sold or otherwise issued by your orator except upon and with the express condition, stipulation and restriction that no copy of said book shall be sold at retail at a less price than one dollar net.

IX. That each and every copy of said book published, printed or issued by your orator contains upon the page immediately following the title page thereof printed in conspicuous type and style a notice of the conditions and restrictions under which each of said copies was licensed for sale and under and subject to which they were purchased, said notice being in the following words:

> "The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.
>
> THE BOBBS-MERRILL COMPANY."

X. That all copies of said book which have been issued by your orator have been sold by your orator to jobbers or other dealers under and subject to the aforesaid conditions and restrictions, and each and every jobber or other dealer who has purchased copies of said copyright book from your orator has

been by your orator notified at the time of his purchase that the license to sell said book at retail is limited and restricted to a sale at a price not less than one dollar net and that any sale at a less price will be treated as an infringement of your orator's said copyright. And each and every such purchaser accepted and agreed to all the aforesaid conditions and restrictions at the time of his purchase.

XI. That defendants in the course of their said business have procured for the purpose of selling at retail a large number of copies of said copyright book, not directly from your orator, but from persons to your orator unknown, and with full knowledge of the fact that said copies of said copyright book were issued and sold by your orator only upon the aforesaid condition that no copy thereof should be sold at retail at a price less than one dollar net for each copy and with full knowledge that no dealer was licensed to sell said book at retail at a less price and well knowing the conditions and restrictions under which each jobber or dealer from whom they purchased said copies had acquired the same, and each copy of said copyright book so purchased by the defendants contained, as defendants well knew, the printed condition, notice and restriction above set forth.

XII. That defendants well knowing the aforesaid conditions and restrictions under which said book was sold and issued and well knowing that their license to sell said book at retail is restricted as aforesaid and disregarding the rights of your orator in and to its said copyright have wilfully and wrongfully sold and exposed for sale and offered and advertised for sale at retail copies of said copyright book procured as aforesaid at a retail price less than one dollar net per copy, to wit, at a price of eighty-nine cents per copy, and are still selling, exposing for sale and offering and advertising for sale copies of said book at retail for a price less than one dollar net, to wit, for the price of eighty-nine cents, without the license, authority or consent of your orator, and defendants have thereby infringed and are thereby infringing your orator's aforesaid copyright.

XIII. That your orator has since securing the said copyright published and sold said book to a large extent and has expended large sums of money in such publication and sale and in the creation and maintenance of a demand and market therefor and has advertised said book in divers periodicals and newspapers and trade journals and in other ways. That a large demand for said book has been thus created throughout the entire country and said copyright has become and is very valuable, to wit, of the value of at least fifty thousand dollars. That retail dealers in books throughout the country other than the defendants are uniformly selling and offering to sell copies of said book at the price of one dollar net in recognition of the aforesaid conditions and restrictions imposed by your orator and that said dealers in large numbers throughout the country have purchased each

a large number of copies of said book either directly from your orator or through jobbers and other dealers to sell again at retail in reliance upon the well known conditions and restrictions aforesaid imposed by your orator, that no person is or would be licensed to sell said book at retail at less than one dollar net per copy, and the said retail dealers have purchased said books at wholesale prices fixed and determined by the fact of the aforesaid conditions and restrictions.

XIV. That the sale, offering and advertising for sale of said book by the defendants at said reduced retail price not only infringes the copyright of your orator but also seriously injures and tends to destroy the market for said book, destroys the profit of other dealers and deprives them of patronage, and interferes with and reduces the number and amount of sales of said book by your orator to other dealers and seriously impairs the value of said copyright. Your orator fears and has reason to fear and believe that unless said defendants are restrained by a writ of injunction they will continue to sell a large number of copies of said copyright book at said reduced and cut rate price, and your orator believes and therefore avers that such cut rate sale by defendants if continued will utterly destroy the market for said book, and the value of said copyright, and will deprive your orator of the exclusive franchises to which it is entitled under the copyright aforesaid and will thereby cause great and irreparable loss, damage and injury to your orator, for which there exists no adequate legal remedy.

XV. That the said wrongful acts and doings of the defendants are contrary to equity and good conscience and have inflicted great injury and damage upon your orator and have deprived your orator of its just profits resulting from the sale of said copyright book. Your orator cannot state the amount of this damage already incurred by the said wrongful acts of the defendants with accuracy, but believes and charges the amount of said damage to be a sum in excess of the sum of two thousand dollars. And your orator believes and therefore avers that said defendants have received and are receiving large gains and profits from said unlawful acts, but to what extent your orator is ignorant and cannot therefore state.

XVI. Your orator hereby waives all penalties and forfeitures to which the defendants may be liable by reason of the alleged infringement of your orator's said copyright and elects to proceed against defendants only for an injunction and accounting.

In consideration whereof and for as much as your orator is remediless in the premises by the strict rules of the common law and can have adequate relief only in a Court of Equity where matters of this nature are properly cognizable and reviewable, to the end therefore that your orator may have that relief which it can obtain only in a Court of Equity, and that the defend-

ants may, if they can, show why your orator should not have the relief hereby prayed and that they may full, true and perfect answer make, but not under oath (their answer under oath being hereby expressly waived), according to the best of their knowledge, information and belief, to all the matters and charges aforesaid and that as fully in every respect as if the same were here again repeated and the said defendants thereunto particularly interrogated.

Your orator now prays as follows:

1. That the said defendants Isidor Straus and Nathan Straus may be required by decree of this Honorable Court to account for and pay over to your orator such gains or profits as have accrued to or have been received by the said defendants or either of them by reason of said unlawful doings and all such gains and profits as would have accrued to your orator but for the said unlawful acts of the said defendants and all damages your orator may have sustained thereby.

2. That the said defendants Isidor Straus and Nathan Straus and their associates, attorneys, servants, clerks, agents and employees may be perpetually enjoined and restrained by a writ of injunction issued out of and under the seal of this Honorable Court from directly or indirectly selling or causing to be sold or offering or advertising for sale or causing to be offered or advertised for sale any copy of the said copyright book or novel known as "The Castaway" at retail at a price less than one dollar net.

3. That your orator be granted a preliminary injunction issuing out of and under the seal of this Honorable Court enjoining and restraining the said defendants and their associates, attorneys, servants, clerks, agents and employees from directly or indirectly selling or causing to be sold or offering or advertising for sale or causing to be offered or advertised for sale any copy of said copyright book or novel known as "The Castaway" at retail at a less price than one dollar net pending the hearing and final decree of this Court herein.

4. That said defendants may be decreed to pay the costs of this suit.

5. That your orator may have such other and further relief as the nature of the case may require and as shall be agreeable to equity and good conscience.

May it please your Honors, the premises considered, to grant to your orator the writ of subpœna issuing out of and under the seal of this Court to be directed to the said Isidor Straus and Nathan Straus commanding them and each of them at a certain time and under a certain penalty therein expressed personally to appear before this Honorable Court and then and there full, true, direct and perfect answer make to all and singular the premises and to stand, perform and abide by such order, direc-

tion and decree as may be made against them in the premises or as shall seem meet and agreeable to equity.

And your orator will ever pray.

THE BOBBS-MERRILL COMPANY,
By BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant.

ALBERT B. BOARDMAN,
Of Counsel for Complainant.

UNITED STATES OF AMERICA,
Southern District of New York, } ss.:

John J. Curtis, being duly sworn, deposes and says: That he is the secretary of the Bobbs-Merrill Company, the complainant herein; that he has read the foregoing bill of complaint and knows the contents thereof and that the same is true to his own knowledge except as to the matters therein stated to be alleged on information and belief and as to those matters he believes it to be true.

JOHN J. CURTIS.

Sworn to before me this 13th day of July, 1904.

HENRY W. CLARK,
Notary Public, New York County.

Replication.

United States Circuit Court, Southern District of New York.

THE BOBBS-MERRILL COMPANY, Complainant,
against
ISIDOR STRAUS and NATHAN STRAUS, Co-partners doing business under the firm name and style of R. H. Macy and Company, Defendants.

This replicant, The Bobbs-Merrill Company, saving and reserving to itself all and all manner of advantages of exception which may be had and taken to the manifold errors, uncertainties and insufficiencies of the joint answer of the defendants Isidor Straus and Nathan Straus individually and as co-partners, verified the 3rd day of August, 1904, for replication thereunto saith that it doth and will aver, maintain and prove its said bill to be true, certain and sufficient in the law to be answered unto by the said defendants, and that the answer of the said defendants is very uncertain, evasive and insufficient in law to be replied unto by this replicant; without this, that any other matter or thing in the said answer contained, material or effectual in the law to be replied unto, and not herein and hereby well and sufficiently replied unto, confessed or avoided, traversed or denied, is true; all which matters and things this replicant is ready to aver, maintain and prove as this Honorable

Court shall direct, and humbly prays as in and by its said bill it hath already prayed.

Dated August 30, 1904.

BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant.

Stipulation of Facts.

United States Circuit Court, Southern District of New York.

THE BOBBS-MERRILL COMPANY, Complainant,
against
ISIDOR STRAUS and NATHAN STRAUS, Co-partners doing business under the firm name of R. H. Macy & Co., Defendants.

It is stipulated, for the purposes of this suit, that the following matters are true and may be taken as duly proved by either party upon final hearing and in any subsequent proceedings herein:

1. The Bobbs-Merrill Company, the complainant, is and at all times mentioned in the bill of complaint was a corporation duly organized and existing under the laws of the State of Indiana, engaged in the business of publishing and selling books, and having its principal office in the City of Indianapolis, in the State of Indiana.

2. The complainant is and at all times mentioned in the bill of complaint was the owner and proprietor of a book or novel in one volume entitled, "The Castaway," written by Hallie Erminie Rives.

3. The allegations contained in paragraphs of the bill of complaint number "III" to "VI," inclusive, relating to the complainant's compliance with the copyright laws of the United States, are true.

4. No copies of "The Castaway" were sold or otherwise issued prior to securing the copyright thereon.

5. Each and every copy of "The Castaway" printed, published or issued by complainant contained at the time of such publication and issue the following notice, printed upon the page of the book immediately following the title page, and just below the statutory copyright notice:

> "The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.
>
> THE BOBBS-MERRILL COMPANY."

6. The defendants in the course of their business procured copies of said book before the commencement of this suit for the purpose of sale at retail. The defendants purchased ninety per cent. of said copies from dealers at wholesale at a reduction from said specified retail price of about forty per

cent., and ten per cent. of said copies they purchased at retail, paying the full retail price therefor.

7. Defendants at the time of their purchase of copies of said book knew that said book was a copyright book and were familiar with the terms of the notice printed in each copy thereof, as described in paragraph 5 of this stipulation, and knew that this notice was printed in every copy of said book purchased by them.

8. The wholesale dealers, from whom defendants purchased copies of said book, obtained the same either directly from the complainant or from other wholesale dealers at a discount from the net retail price, and at the time of their purchase knew that said book was a copyright book and were familiar with the terms of the notice printed in each copy thereof, as described in paragraph 5 of this stipulation, and such knowledge was in all wholesale dealers through whom the books passed from the complainant to defendants. But said wholesale dealers were under no agreement or obligation to enforce the observance of the terms of said notice by retail dealers or to restrict their sales to retail dealers who would agree to observe said terms.

9. The defendants have sold copies of said book at retail at the uniform price of eighty-nine cents a copy, and are still selling, exposing for sale and offering copies of said book at retail at said price of eighty-nine cents per copy, without the consent of the complainant.

SPIEGELBERG & WISE,
Solicitors for Defendants.
BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant.

Testimony.

In the United States Circuit Court for the Southern District of New York.

THE BOBBS-MERRILL CO.,
against
ISIDOR STRAUS and NATHAN STRAUS, Co-partners doing business under the firm name of R. H. Macy & Company, Defendants. } In Equity.

New York, October 13, 1904.

Present:

JOHN A. SHIELDS, ESQ., Examiner of the United States Circuit Court in and for the Southern District of New York.

APPEARANCES.

Edmond E. Wise, Esq., of Counsel for Defendants.
Boardman, Platt & Soley, Esqs., Attorneys for Complainants.

Transcript of Testimony.

Depositions of witnesses produced, sworn and examined on the part of the complainant.

The parties being present, by their respective counsel, before the examiner above named, at the City of New York, in the County and State of New York, the following proceedings were had:

The testimony following is taken for final hearing in the above entitled cause, as a part of the proofs, in addition to the stipulations heretofore signed by counsel for the respective parties,

It is stipulated that all objections and exceptions to the testimony hereinafter noted are reserved.

ADOLPH MACKEL, called on behalf of the complainants, being duly sworn, testified as follows:

Direct examination.

Q. Where do you reside, Mr. Mackel?
A. In Bartow, New York.
Q. What is your business?
A. A bookseller.
Q. Wholesale or retail?
A. Principally retail, and very little wholesale.
Q. How long have you been engaged in the bookselling business?
A. About twenty years.
Q. Your present firm is what?
A. Ammon & Mackel.
Q. Are you familiar with the so-called net price system of selling books frequently adopted by publishers?

Defendants' Counsel: I object to that as irrelevant, incompetent and immaterial.

A. I am.
Q. Have you observed the effect upon the trade in a net price book which the cutting of the price by a retail dealer has?

Defendants' Counsel: I object to that as irrelevant, incompetent and immaterial.

A. Yes.
Q. When a book has been issued and put on the market by a publisher at a fixed price, what effect, if any, upon the market for that book has the continued sale by a retail dealer at a reduced price?

Defendants' Counsel: That is objected to as incompetent, irrelevant and immaterial.

A. When we find that a book is cut we don't expose it nearly so prominently as we would have. In some cases we don't buy the book at all. We don't reorder it if we have bought it once, and in that way we only sell the book when it is called for; but we don't expose it for sale if it will put us in a position of charging a higher price than another dealer.

Defendants' Counsel: I move to strike out the answer as incompetent, irrelevant and immaterial, and not responsive, and on the ground that he has given the personal procedure of the witness' firm and is not in answer to the question as to the general effect in the retail trade of the cutting of prices by another dealer.

Q. In your answer to the previous question you say "we." Whom do you mean by "we?"

A. Well, by that, I meant our own firm.

Q. Has such under-selling a similar effect in your judgment upon other retail dealers?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial, and upon the further ground that the witness has not qualified to speak upon the subject.

A. (Question unanswered.)

Q. Upon what, in your opinion, Mr. Mackel, does the public demand for a book depend?

Defendants' Counsel: That is objected to as incompetent, irrelevant and immaterial and upon the further ground that Mr. Mackel has not qualified to answer that question.

A. Largely on the recommendation of his bookseller. A great deal on advertisements of the publishers.

Cross-examination.

Q. How long has that price system prevailed?

A. About four years.

Q. Since May, 1901; is not that so?

A. Yes.

Q. Prior to that time books were cut at random by dealers, were they not?

A. Yes, I believe so.

Q. Since that time, a large majority of dealers, pursuant to the rules of the Publishers' Association, have maintained net prices at retail?

A. Yes.

Q. You stated that, in your business, in the case of a book upon which the price is cut at retail, you do not sell that book unless there is a special request made for it?

A. In many instances, yes.

Q. Is not it a fact that every net copyright book, since May, 1901, has been sold by the retailers in New York and in other places at less than the net retail price fixed by the publishers, the so-called net price?

A. I think not.

Q. Can you cite any particular book where that has not occurred?

A. Why, I could cite particular books. I cannot at this moment, from the fact of having gone to the people who did advertise it, where I was unable to buy it; that is, I cannot tell you the title of any particular book now, but I know that that has happened often, that I have tried to buy a book and could not.

Q. At the cut price?

A. Yes.

Q. I understand you to say that these books which you tried to buy were advertised at the cut prices and that you sought to verify whether the sale was had at the advertised prices and that you were unable to do so?

A. No, I won't say it just like that, but I have gone to buy certain books. You mentioned that all books were under-sold. I have tried it on certain books, and found that they could not be bought at the time that I went for them.

Q. That is hardly an answer to my question?

A. Yes. You asked me whether or not all books that were published since the new arrangement of copyright went into effect, that were published at a net price, whether or not they were all under-sold; and my answer is that they were not.

Q. And you are willing to swear that they are not?

A. For instance, I may have gone there one day to buy a book; I cannot say what happened a month later.

Q. I am asking you now whether you are aware of that fact or not. I didn't ask you for any personal experience?

A. That would not be within my province to answer that at all.

Q. Isn't it within your knowledge that all books published since May, 1901, under the so-called net price or restricted price system, have been advertised for sale or sold at less than the price fixed as the lowest price for sale at retail by the publishers?

A. No; to the best of my knowledge, that is not so.

Q. Will you cite the instance where they were either not advertised or not sold?

A. It would be much easier for me to cite the instances where they were advertised.

Q. At the net prices, you mean, or below the net prices?

A. Below the net prices. I could not speak about every book.

Q. The majority of books?

A. That would be very difficult.

Q. Isn't it well known in the trade that the firm of R. H. Macy & Company advertise to sell all restricted or net price books in which they deal at less than the fixed net or restricted retail price determined by the publishers?

A. Well, that is so as regards fiction.

Q. As to what is it not so?

A. Well, I know it to my knowledge that it is so regarding fiction.

Q. Have you any knowledge upon any other point?

A. I have seen other special books; for instance, what we would call an important book; I have seen those advertised.

Q. What do you call an important book? What class does that belong to?

A. A book that would create (pausing) that the public would be greatly interested in; that is, the large public would be interested in, the large reading public.

Q. For instance, was "The Castaway" one of those books?

A. Yes, but that would not be called in my mind first. For the other I would say something like "Morley's Gladstone." They were sold below the publishers' price by the Macys.

Q. So that a work of the importance of "Morley's Life of Gladstone" and the general current literature published since 1901, current fiction published since 1901, under the rules of the American Publishers' Association at either a net price or a restricted price, were sold at less than the minimum figure by R. H. Macy & Company or advertised so to be sold? Is that true?

A. Well, to my knowledge, of course they would only cite a certain number of titles. Whether they sold everything or not, I don't know.

Q. But all that they did offer for sale were sold, as far as you know, as they were advertised for sale?

A. When you say all they offered, I cannot answer.

Q. We will make it advertised for sale?

A. Yes.

Q. And as far as you know, whatever books of that description that were sold by Macy & Company were either known or reported in the trade to be sold at a cut price?

A. If that question refers to books that they had advertised, I would answer yes to that.

Q. As a matter of fact, R. H. Macy & Company was one of the firms that were put upon a cut-off list for price cutting?

A. Yes.

Q. That was well known?

A. Yes.

Q. And it was widely circulated that they were price cutters and refused to abide by the net price or restricted price system?

A. Yes.

Q. Were there other firms of a similar character that you know of?

A. Yes.

Q. A number of them?

A. Yes.

Q. Do you undertake to say, Mr. Mackel, that every book that was advertised for sale or sold by the price cutters, Macy & Company, or such other firms as you are aware of, was withdrawn from your shelves and sold only on special orders or when there was a special demand for them at retail?

A. No, but I would answer that that was done where they would perhaps select certain titles. We will say they would take eight or ten titles of a book. Sometimes they would take one particular book and we would not, if it was a very prominent book, we would not expose it to the same extent that we would have done previously.

Q. Then the answer that you made as to the effect of price cutting by one dealer would be followed by your withdrawal of that book to a considerable extent from your shelves or from exposure for sale, must be qualified to the extent that that only occurred when those books were specially pushed by the price cutter?

A. Yes, in my case, that is so.

Q. That is your policy?

A. That is our plan.

Q. That is your policy in your business?

A. Yes.

Q. So that the general effect of price cutting is not the same as when the special offer is made of a special book by a price cutter?

A. Well, an immediate, a close competitor, of course would feel it a great deal worse than I would. I being in a different locality, perhaps might not feel it so great; but a dealer in their locality would feel it immensely more than I would.

Q. And the effect of that would be that that dealer would not be able to sell his book at the net price when his competitor in the same locality was selling at less than the net price?

A. He would sell some, of course; but his sales would be diminished.

Q. His sales would be diminished by the sales of the other dealer being increased?

A. No, not in that way, but he would not expose this book as prominently as he would otherwise.

Q. Because his neighbor is selling at a less price than he is?

A. Yes.

Q. Would you make that as a uniform rule as to all books concerning which there has been price cutting, or would you say that that was true only of those books which were specially pushed by the price cutter?

A. I should say that would be greater, of course, of a book that was specially pushed; yes.

Q. You would not say that, as a general rule throughout the business, that all books on which there was price cutting would be withdrawn from sale or not pushed?

A. No.

Q. Would the effect not be precisely the same as prior to the commencement of the restricted price system, when each man sold a book for whatever he pleased?

A. Well, everybody, of course, sold at a different price from the retail, and, of course, that price would be varied, and on certain books, no doubt, why, an underseller would sell them, as they have been doing, below the cost price to them.

Q. That was not uniform business to sell below cost, was it?

A. No. Where an underseller would sell it below cost a competitive dealer would withdraw that from sale.

Q. But not otherwise?

A. Not otherwise; oh, I cannot make that answer. That is too broad, that answer. I will have to strike that out, because, if they made it very close, it would be the same. That is, where they didn't make what we might consider was a legitimate profit. Of course, saying "not otherwise" is too general.

Q. Isn't the term "legitimate profit" too general? Must not each one determine for himself what profit he desires to make? And isn't it a fact that any man who honestly sells a book for what he considers a profit makes a legitimate profit?

A. Where he sells below the cost price to him he certainly does not make a legitimate profit.

Defendant's Counsel: I move to strike that out on the ground that it is not responsive.

Q. I ask, where he makes a profit with which he is satisfied, is he not making a legitimate profit?

A. Well, I cannot answer that different.

Q. I will ask you to explain the term "a legitimate profit," as used by you in your previous answer.

A. I don't think I so answered that.

By Plaintiff's Counsel:

Q. Can you, by re-reading that, explain what you mean by "a legitimate profit?"

A. Why, a legitimate profit would be, I consider, a fair advance over the cost price of a book.

By Defendant's Counsel:

Q. That is your definition of a legitimate profit as applied to a sale of books at retail?

A. Yes, sir.

Q. Is there, in your understanding of the term "legitimate profit," any difference between books and other commodities dealt in at large?

A. I have never dealt in any other commodities.

Q. As far as you know, or in your use of those words, is there any difference?

A. Will you explain that a little more definitely?

Q. Is the term "legitimate profit" as applied to books used by you in any different sense than any merchant would use that term, concerning the commodities in which he deals?

A. No.

Q. It is not?

A. No.

Q. You have no meaning in the words "legitimate profit," other than that which any merchant would place, a suitable profit upon the goods which he deals in?

A. None whatever.

Q. Prior to the adoption of the net price system, there was considerable competition amongst the dealers in the price of books at retail, was there not?

A. Yes.

Q. Did that competition affect injuriously the sale of books as to the quantity sold?

A. It affected a certain book or books that might be offered at a greater reduction than a majority of the books.

Q. Would such a book have its sales increased or diminished?

A. Diminished.

Q. In what way?

A. By the majority of dealers withdrawing the book from their counters, if it had been so exposed.

Q. Have you in mind any particular instance where that occurred of a popular book exposed for sale under the old system at a price which gave a profit and which by reason of such price being less than that of the dealers in the neighborhood, reducing the sales of that book?

A. Not just at present.

Q. You understand, of course, that I am referring now to that period that antedated the net price system?

A. I am.

Q. I understood you to say that you had been in the retail business for some 15 or 16 years prior to that time?

A. Yes.

Q. Are you a member of the American Publishers' Association?

A. I am not.

Q. Are you a member of the American Booksellers' Association?

A. I am not.

Q. Do you observe the rules of either or both of those associations?

A. I do of the American Publishers' Association. I don't know the rules of the American Booksellers' Association.

Q. And the rules of the American Publishers' Association, so far as they are observed by you, I presume are those that relate to the sale of copyrighted books published by the members of the American Publishers' Association since May, 1901?

A. Yes.

Q. Do you know the so-called restricted price system as distinguished from the net price system?

A. Yes.

Q. Will you explain what that is?

A. A restricted book is a book on which we are allowed to give a discount of 28 per cent., and a net book is a book on which we must maintain a retail price fixed by the publishers.

Q. The system, as adopted by the various resolutions of the Publishers' Association, is to the effect practically that a publisher has, at his option, to publish fiction either at a net price or at a restricted price; is not that so?

A. Yes.

Q. When the publisher chooses to publish at the net price, he stamps upon the paper cover the retail price at which the book must be sold without any discount. Is that not so?

A. If you add "net" to that, I will say yes to that.

Q. The retail price net. If he chooses to publish at a so-called restricted price, then the book is published with a notice to the effect that it is a $1.00 or $1.50 book or $1.75 book or a $2.00 book, but that the retail dealer is permitted to give a discount from that price not exceeding in any instance, however, 28 per cent. Is that not so?

A. The price is generally stamped on such books.

Q. The price is also stamped on, but it is in round figures; whereas, the retail net figures are usually odd figures, are they not, meaning thereby that the net price of a book is usually not any such figures as $1.25, $1.50, $1.75 or $2.00; it is $1.08, $1.40 or similar figures?

A. I think not.

Q. Well, with the exception of the book, "The Castaway," which was published at $1.00 net, can you recollect any book that has been published since the net price system went into effect where that course has not been pursued?

A. Many.

Q. Of fiction, I am now talking?

A. That was the most prominent, but there were others.

Q. But isn't it true as to fiction—I am asking now exclusively as to fiction—that the usual net price was either $1.08 or $1.40 or some similar price, which was not like the former publications, $1.25, $1.50 or $1.75?

A. That did happen in many instances, but I don't know as it

was general, because we had books, lots of them, published at $2.00, $2.50, $2.25 and so on.

Q. Fiction?

A. No, not fiction.

Q. I am talking only of fiction now?

A. I have never known a volume of fiction being published at $1.08, and I have no recollection of any being published at $1.40.

Q. Do you remember "Tarry Thou Till I Come?"

A. I do.

Q. Published by Funk & Wagnalls?

A. I do.

Q. The first book upon which a fight was made?

A. Yes.

Q. At what price was that?

A. That was at $1.40.

Q. That was one at $1.40?

A. You have refreshed my memory as to that, but it is not general.

Q. Was the usual price at which they are sold, the net price, $1.25?

A. $1.25.

Q. Is that the net price?

A. There is not anything general in that.

Q. There is no uniform rule about that?

A. I have never heard of one, no.

Q. I am asking what you know of your own knowledge. The only difference is, then, as I understand you, that in the restricted price system, a notice is given to the trade that the retail price marked upon the book may be varied to the extent of 28 per cent. and no more?

A. Yes.

Q. Whereas, a net book may not be varied at all?

A. Yes.

Q. In a restricted price book, is the maximum discount uniformly given by all retail dealers?

A. I believe it is by the majority.

Q. As a matter of fact, you know that it is not uniformly given by all retail dealers?

A. Yes.

Q. That is to say, in a $1.50 book published at the restricted price the sales may vary in the same locality between $1.08 and $1.50.

A. Yes.

Q. Does that injure the sale of the book, that variation in price?

A. To describe that better, I will say that a man doing a very limited business such as a newsdealer, etc., may charge a retail price for a novel. But it is the universal rule of the dealers to give the 28 per cent. discount.

Q. Well, I understand your present answer then to mean that your former answer, that it was not uniformly done, as being incorrect amongst all bookdealers?

A. Amongst bookdealers, I believe the 28 per cent. is given by everybody.

Q. Throughout the United States?

A. I cannot answer outside of New York.

Q. You don't know whether in some places a portion of that discount only is given and in some instances the full price is charged for a restricted book at retail?

A. I don't know of any book store charging the retail price.

Q. Meaning thereby the gross price; I mean, the price without a discount?

A. Yes.

Q. So that, in your opinion, so far as bookdealers are concerned, there is practically no difference between the net price book and the restricted price book?

A. No; that is, we maintain the uniform rate of discount where we are allowed to make it, and where a book is net, we all maintain the net price.

Q. I don't think that quite answers my question. I asked whether there was any distinction in your opinion in the effect of the net price system and the restricted price system, and you said a few minutes ago that it was the universal rule for the dealers to give the maximum discount?

A. Yes.

Q. Which is the minimum price at which the book may be sold?

A. Yes.

Q. In the net price system, that minimum is immediately marked upon the book by the publisher?

A. Yes.

Q. Now, if the minimum price in both instances is uniformly obtained by the dealers, what difference is there in the commercial effect of the net price system and the restricted price system so far as dealers are concerned?

A. None, I believe.

Q. None at all?

A. None.

Q. You are quite positive that in the restricted price books the dealers do not give various discounts, but that they all give the uniform maximum discount that is permitted by the rules of the American Publishers' Association?

A. There may be occasional exceptions, but I think it is universally observed, the 28 per cent. discount.

Q. Isn't it a fact, Mr. Mackel, that a number of the smaller dealers take advantage of the opportunity afforded to them by the American Booksellers' Association in the adoption of the

restricted price system not to charge the lowest price at which the books can be bought, but to secure a larger profit?

A. I think not.

Q. But if they are so inclined they can do so?

A. I suppose they could; I don't know.

Q. Well, the rules of the American Publishers' Association permit it?

A. Yes.

Q. Has there been any material change in the value of copyright since the adoption of the net price system, as compared with the previous value of copyrighted books?

A. I am not a publisher and could only answer that from what I have heard.

Q. Then you have no knowledge upon that subject? I mean, of your own knowledge, you do not, in the matter?

A. No, only from hearsay.

Q. Are you a subscriber or do you read the American Book and News Dealer, I think it is?

A. No; I do not read it or subscribe for it.

Q. Do you know the publication to which I refer?

A. I do not.

Q. Do you know the paper known as the Book and News Dealer?

A. I do not.

Q. Do you know of any paper that appears as the official organ of the American Booksellers' Association?

A. I do not.

Q. Are you familiar with the names of the individuals with whom the trade at large, under the rules of the American Publishers' Association, are forbidden to deal?

A. Yes.

Q. How so are you familiar with them?

A. I have heard the names mentioned often.

Q. Don't you receive or see a list monthly?

A. I do not.

Q. Can you give the names of some of those who are in the cut-off list?

A. I do not know (pausing), yes.

Q. You don't know any of the names?

A. I believe I answered that I did.

Q. I ask you now if you can mention some of them. A. Yes, sir; I will.

Q. Could you mention some of them?

A. Will I?

Q. Yes?

A. Yes; there is Abraham & Straus in Brooklyn; a man named Cox; there was a man named Anderson, and others.

Q. Are R. H. Macy & Company on that list?

A. Yes, sir.

Q. Did you know that N. Snellenberg of Philadelphia are on that list?

A. Yes, sir.

Q. Do you know that R. & N. Oppenheimer of Baltimore are on that list?

A. Yes, sir.

Q. And Meyers Brothers of Newport News?

A. No.

Q. Julius Meyer of St. Louis?

A. I don't know all of the out-of-town dealers.

Q. Did you know that Hunter & Hunter of Detroit were on that list?

A. I don't know them myself.

Q. But there are quite a number, too long a list for you to remember?

A. There are quite a number.

Q. Well, you don't remember the list?

A. I cannot say, because it is too long.

Q. Well, whatever list there is, there are quite a number on it, and you don't remember all the names?

A. No.

Q. And these dealers are known or are supposed to have cut the price of books that were published either as net or as restricted price books?

A. Yes.

Q. And as far as you know, no exception was made with reference to any work of fiction by the price cutters advertising or selling them below the lowest price that was permitted by the rules of the Publishers' Association, so far as you know, Mr. Mackel?

A. Do you mean, so far as I know, that price cutters did not cut below cost?

Q. I want to know whether there is any book upon which any of the price cutters, either in their advertisements or sales, maintained the lowest price fixed by the publishers. As far as you know, did they not cut the price on all works of fiction?

A. Yes.

ADOLPH MACKEL.

Sworn to before me.
JOHN A. SHIELDS,
Examiner.

IRVING PUTNAM, a witness called on behalf of the complainant, and duly sworn, testified as follows:

Direct-examination:

Q. In what business are you engaged?

A. Publisher and bookseller.

Q. What is your firm name?

A. G. P. Putnam's Sons.
Q. Is that a firm or a corporation?
A. A corporation.
Q. Do you sell books at retail?
A. Yes.
Q. And at wholesale?
A. Yes.
Q. How long have you been engaged in the book publishing business?
A. Thirty-four years.
Q. In that time you have published a large number of books?
A. Yes.
Q. Have you been engaged in the bookselling business at wholesale and retail for that same period?
A. Yes, for that same period.
Q. Are you familiar with the so-called net price system of selling books frequently adopted by publishers?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial.

A. I am familiar with the net price system as adopted by the Publishers' Association.
Q. That system has been adopted by the corporation with which you are connected in many cases?
A. Why, the corporation is a member of the Publishers' Association, and therefore necessarily has to stand by all the rules of the association, and therefore, of course, it carries out the net price system.
Q. What I mean is, in books published by G. P. Putnam's Sons, you have published and issued many books under that system yourself?
A. We are obliged to under the rules of the association.
Q. Have you observed the effect upon the trade in a net price book, which the cutting of the price by any one or a few dealers has?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial.

A. Yes.
Q. When a book has been issued and put upon the market by a publisher at a fixed retail price, what, if any, effect upon the market for that book has the continued sale by a dealer at a reduced price?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial.

A. It has a depressing effect.
Q. Will you explain what you mean by that?

A. I mean that if a book is pushed by some under-seller at a reduced price, that our concern, for instance, takes much less interest in selling it. Instead of making it prominent in their retail store, they would make it subordinate, either putting it aside altogether or giving other books preference in the sale. If they had bought one supply they would not be interested in replenishing the stock, if the stock had become exhausted, not necessarily discontinuing its sale. It would affect our interest in the sale, and therefore would minimize the sale.

By Defendants' Counsel:

Q. Did I understand you correct, that when you said a price cutter pushes the sale of a book, that the effect that you have described occurs?

A. Yes.

Defendants' Counsel: I move to strike out the answer on the ground that it is not responsive to the question.

By Plaintiff's Counsel:

Q. Does the general under-selling by a retailer, without especially active efforts in pushing such a book so under-sold, have this same effect?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial.

A. Yes, excepting it has less effect—it has more effect in proportion to the amount of prominence that is given to the under-selling price, just as it has more effect if half a dozen houses are doing the under-selling instead of only one house; in other words, it is all a matter of proportion.

Q. Does such under-selling affect the publishers of a book published and issued at such a fixed price?

Defendants' Counsel: I make the same objection.

A. Necessarily, it does, for, if the bookseller sells less, he buys less from the publisher. That means a diminution in the total number sold.

Q. Upon what, in your opinion, does the demand for a book on the part of the public largely depend?

Defendants' Counsel: I object to that on the ground that the question is too vague.

A. It depends a great deal upon the efforts of the retail bookseller, and the interest that the retail booksellers take in the sale of it.

Q. You mean the retail booksellers in general?

A. I mean the retail booksellers in general.

Q. In the case of a copyright net book, in your opinion, has

the under-selling of such a book at retail any effect upon the value of the copyright?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial, and also on the ground that the witness has not qualified to answer.

A. Necessarily the value of a copyright is based upon its earning capacity. Copyright means so much paid per copy of the book sold. If a less number of copies is sold on account of this depressing influence upon the selling, then the copyright earns less, and therefore is of far less value.

Q. May such under-selling, if continued and persisted in, entirely destroy the value of the copyright?

Defendants' Counsel: I object to that as incompetent, irrelevant and calling for a conclusion.

A. Well, I would hardly say that. It might, in the course of time.

Q. Does that complete your answer?

A. Yes.

Cross-examination.

Q. When you say that, in the course of time, it may destroy the value of a copyright, is that not rather a vague statement?

A. Yes, it is.

Q. It does not mean particularly much because, as each succeeding year passes, the copyright becomes less valuable on account of the expiration of time?

A. Yes, and the decrease in value on account of the expiration of time may be made up in value due to the increased popularity of the book.

Q. It may injure the copyright?

A. It may even in the remaining years of the copyright make it of much greater value than it was in the earlier years.

Q. In what way may the value of a copyright be impaired? For instance, take Charles Dickens, published under a copyright and sold at various prices other than the fixed price, in some places higher and in some places lower, and in some places almost at cost. How long would it take to impair the value of a copyright of that kind?

A. I cannot say.

Q. In your opinion, would such a copyright be in fact impaired by a cheapening of the prices?

A. Yes. If a new volume by Dickens was published and was under sold to such an extent and by such a number of dealers in different parts of the country as to make it entirely impossible for the regular bookseller to sell it at a profit, he would not be interested in the sale of it at all, and the effect would be that

the total sale would be very much decreased over what the normal sale would be under a satisfactorily protected price.

Q. Is that not rather a theory with you than a statement of actual occurrences?

A. It is a theory, necessarily; it is a hypothetical question.

Q. I am taking the effect of it. It is a hypothetical question, as you say. But your estimate of the result is not based upon any actual occurrence of a similar character, is it?

A. No, it is not, and I don't think it could be mathematically demonstrated. It is a matter of judgment and opinion.

Q. It is a matter of speculation with you as to the result?

A. It is a matter of professional judgment.

Q. Isn't it possible that the result of persistent and large under-selling might be the driving out of business of a number of small retail dealers without any decrease in the number of books sold?

A. Oh, it might be.

Q. In other words, the effect of the under-selling might be the concentration of the business in the hands of the under-sellers without a diminution of the volume of books sold?

A. Yes, that might be; you can imagine that.

Q. And in that event, would the value of the copyrights be impaired to any extent at all, if their value depends, as you just now stated it did, upon the number of volumes sold?

A. Well, that is not easy to answer categorically, though it can be answered at length, if you would like to have me.

Q. I am asking the question simply and solely, that you stated it, as a matter of your professional opinion, without any experience to base it upon, if that would be the result, the impairment of the copyright and not the impairment to the retail small dealer who had been under sold?

A. It would be for this reason, that, as a rule, people interested in under-selling are people interested in an article of the day, they are interested for a very short period, for that particular item; it is perfectly possible that, taking an article, playing it for a few weeks or months and dropping it as dead, they have already killed it, killed the interest in it on the part of what we call the legitimate trade of the country; and when the under-seller drops it, therefore, there is no one to keep up the continued sale, in which the real continued value of the copyright lies. That is where the harm would come, from the driving out of the small dealer and the concentrating of the sale for a few months in the hands of the department stores.

Q. Well, the question then narrows itself down to a broad principle of the book trade at large, not to a direct injury to a particular copyright; under the present circumstances I am speaking?

A. No, because it is also the case with these undersellers, the department stores.

Q. When you say "under-sellers" you refer exclusively to the department stores?

A. I do, because practically it is only the one or two department stores that are to-day under-sellers.

Q. I am referring generally, without speaking of general conditions, as to who is an underseller or not. I am talking of the general conditions as they would prevail in any other trade?

A. The general condition is that the book trade at large does one thing and the one or two department stores do the other, and the under-seller—that represents the department stores—is interested in merely these few active live books of the moment. There are few department stores that keep up a regular, general book stock. They will take up a book that has been pushed by the publisher and fill a demand for it to-day and to-morrow, and next week they don't know anything about it; they don't care anything about it, so that the general business, the sale of the staple goods, is something for which the publisher has to rely upon the book trade at large, and not upon the under-seller. Now, if the under-seller drives out the small dealer, the legitimate bookseller—

Q. (Interrupting.) Pardon me. I must object to the term, "legitimate bookseller."

A. (Continuing.) I am only using an expression which we use in the trade and which I have used for 25 years; it may be longer.

Q. You don't mean by that that the sale of books is illegitimate?

A. Yes, I do in such a concern which is your client to-day, for this reason, if you would like to have me state it.

Q. Certainly?

A. Because, in the first place, they take those items, those books, books which are published at a fixed price, and in which there can be no variation; for instance, they take a copy of "The Crisis," which is just the same whether bought in Macy's shop or in mine. They will sell it at a price which cannot give them any profit, using it as a leader, as a card, to draw people into their store, to demonstrate to people that they are selling all things less than anybody else, and they say "Here is this 'Crisis,' which we sell for 89 cents, which is sold elsewhere for $1.50. That is merely an indication of the differences in prices which we maintain throughout all our departments, excepting that in other articles they are still more so." Now, any business man knows that that is false; any business man knows that those advertisements are lies, and that is the reason that I call it illegitimate.

Q. Suppose we prove to you that every one of your statements are not true, and that every one of those charges which are made are lies. Would you modify your opinion then?

A. If they could be proved.

Q. If these charges that you make and assume to be true are not true, would you stand by your testimony of the value of your copyright?

A. I know they are not true because they cannot be demonstrated to me. I know that when Macy says, "We sell all goods less than anybody else, that books are merely a type of our scale of prices, excepting that in other goods the difference is still greater," I know that that is not true. I know, for instance, that when Macy sells a magazine for 25 cents which he buys for 27 cents, which he has done for 25 or 30 years, and then tries to make people believe that he has been selling that as a legitimate thing and that he is selling all other goods on the same basis, that that is false business.

Q. Did you ever see such an advertisement as you have described, that he sells for 25 cents what has cost him 27 cents?

A. No, I didn't.

Q. Do you know of any book which they have sold below cost?

A. I don't know that I could give you a specific instance to-day, but there are plenty of books which most of the department stores have sold at less than cost; because I have sent there in the course of the last 25 years and bought copies of books at less than the listed wholesale prices.

Q. I challenge you to produce a single instance of a book within the last three months advertised by R. H. Macy & Company and sold by them at less than the cost price?

A. Within the last three months, no, I could not do it. I have not paid any attention to them.

Q. I challenge you to produce a single instance of where Macy, since the establishment of the net price system, has sold at retail a single book of fiction at less than the best wholesale prices at which it could be bought?

A. No, I don't know as I can.

Q. I challenge you to produce a single instance where, except under extraordinary circumstances, or for special reasons, Macys have sold a book without a profit below cost?

A. Well, as I say, I have known instances, and can give instances of Macy's selling during the last three or four years under price. My reference to Macy's business methods was based upon their selling before and entirely irrespective of the Publishers' Association's net price system or anything else, at the time before there was any rule of prices. They sell magazines and sell other things, notably, such a book as the bound volume of St. Nicholas, which I have known of their selling there for less than what I could buy it from the publishers in quantities. Such things have nothing whatever to do with the net price system or with the present contention. It has to do with what I stigmatized as illegitimate business methods, using one

article of merchandise and giving that a black eye for the sake of booming their general business.

Q. And you assume that that is done, because a magazine is sold that way or a bound volume of St. Nicholas is sold that way—

A. (Interrupting.) I give those two as instances.

Q. Did you intend that to be a general incident of their whole book business?

A. Not that they sell all books at less than cost, but that they sell a great many, and that they use the book business as a lever, because of the peculiar nature of a book, the fact that a copy of a copyrighted book or a book like St. Nicholas must be the same in their store as in ours; and, therefore, that it was not like a difference in quality of goods, but that if they could say, "Here is something which we sell for $1.79 which is sold in the book stores for $2.75," it was a very powerful incentive to the buyer, if he believed that that was a specimen of their usual prices, to do all his buying of them.

Q. And you believe that that is false?

A. That that is false?

Q. The statement which they wish to make, inviting a comparison between all their goods and other people's goods, and inviting it on the same basis as that fact which you concede, that their books are sold at a cut price?

A. Most assuredly; I believe it is false.

Q. You have proof of that?

A. No.

Q. Or you merely assume it?

A. I certainly believe that it is false; that Macy sells all goods at less than their competitors, and that the price of books is merely typical of their prices on all other goods, excepting that the difference in other goods is still greater. I have said the same thing to Mr. Straus himself, who is an old friend of mine.

Q. You have taken the trouble to verify your assumption?

A. No.

Q. Or you are merely assuming that it necessarily must be so, because they claim it?

A. No, it has never been necessary for me to go into the question of verifying. I have in mind one specific instance in a purchase of my own, where it was verified. Would you like to hear of it?

Q. No; I want a general statement; specific instances don't carry a general rule?

A. I could not say generally.

Q. And you assume as a matter of fact that the book business at Macy's, amounting to some $200,000 a year, was necessarily carried on at a loss so as to invite the public to come into their place of business?

A. I would not say that because I don't doubt that a very

large part of the material that was sold, they sold and made a profit on; but that a great many of what I call leaders, like the two instances that I have given, are typical, the bound volume of St. Nicholas and the magazine.

Q. Are they leaders? How many copies do they sell?

A. I don't know.

Q. Would you call it a leader if they sold less than 500 copies?

A. I don't know, because I don't know the proportion of copies that they sell of any particular book.

Q. Would you assume that the sale of 2,500 volumes of one particular book was a big sale in a retail store?

A. Yes, it would be a large sale.

Q. How many copies would you sell of that kind of a leader in the ordinary book store?

A. Very distinctly?

Q. Would you, in a store that sells 2,500 copies of one particular book, call the sale of 300 copies the sale of a leader?

A. It all depends on what the book was.

Q. Or a magazine?

A. You mean a number of magazines?

Q. Yes?

A. Why, a leader is anything that they make a specialty of.

Q. How are specialties made in big stores? By advertisement?

A. In a big department store, in any book store?

Q. I am talking of specialties in all big stores. By advertising?

A. You make a specialty of any article in the store if you give it special prominence.

Q. Is that true? Does it apply to a department store as well as to a book store?

A. Yes; it is simply a question of the amount of prominence and the methods of prominence.

Q. And how are those methods of prominence usually adopted? By advertising, is it not?

A. Advertising of one kind or another.

Q. And if an article is only sold when called for without being specially pushed in any way, you would not call it a leader, would you?

A. No, I would not, excepting to this extent. As I say, there are different methods of advertising. One method would be by making a special display of an article and the other method would be by putting such a price on it as would astonish and attract people when they came to buy it.

Q. Do you know of your own knowledge whether there has been a special display or a special advertisement in the two instances that you cited as sales below cost on the part of Macy & Company?

A. I don't think that I was in their store in my life, and I

could not swear to the fact that the St. Nicholas magazine was advertised at that price, although I believe that it was; I could not identify it because it was some years ago.

Q. But in the general run of business, as they are advertised by Macy & Company, as I understand it, those advertisements appear quite frequently, you have not discovered any sales below the wholesale cost of books even since the adoption of the net protected prices?

A. In the last few years I have almost never looked at the Macy & Co.'s advertisements in any way, because they have not interested me.

Q. Then, as a matter of fact, the statement that you made that books were used by the department stores merely as a bait to induce purchasers to come to buy other articles, is not founded on anything more than your suspicion or surmise?

A. I would not say that at all.

Q. You have no proof of that in any way because you yourself say that you have not looked at the prices and have not been in the store?

A. There are lots of things that one has not a definite proof of and yet in which they have full belief.

Q. But you have not any further belief than you have stated, nor any other grounds for that belief than those that you have set forth?

A. As far as the sale of books at the present time or during the last few years is concerned, I have no data even in my own mind. What I have referred to has been the system pursued for years back.

Q. How many years back?

A. Say seven or eight years back. Long before there was any Publishers' Association or any net price system; when they were free to sell books, so far as any rule was concerned, as they sold any other merchandise.

Q. And you have cited no other instances except those two?

A. No.

Q. And they are the only ones within your present recollection?

A. Yes, I have no others in my recollection.

Q. Will you please tell me what copyright book was injured by the free sale in competition as to price which existed universally prior to the adoption of the Publishers' Association's rules in May, 1901?

A. Oh, I cannot give any instances of any copyright book, nor did my previous reference have anything to do with injury to a copyright book.

Q. Injury to the copyright?

A. Injury to the copyright. I was simply making a reference to what I considered the general business methods of the department stores.

Q. You understand, of course, that the purpose of your testimony here is as an expert on the value of copyrights; and the question is whether the sale by the defendants at a price less than that fixed by the owner of the copyright, whether that be in a department store or in your own store, would be a permanent injury to the owner of a copyright?

A. I cannot answer.

Q. Your valuation of a copyright is based upon your experience in such matters; and I therefore ask you, whether prior to the adoption of the rules of the American Publishers' Association, in May, 1901, the unrestricted and free price cutting which prevailed at that time destroyed the value of any copyrights known to you?

A. Now, I cannot give any specified instances in which a copyright was destroyed. It would be too vague. That it injured the value of copyrights in general because of the injurious effect upon the general welfare of the bookselling business, I am quite convinced, but I cannot tell you that it injured the copyright of "Ben Hur" or any other book.

Q. As I understand it, your theory is that the injury to the copyright of a particular book is indirect and not direct; that is, that the interest of the trade at large in the purchase or sale of that book is checked and would be greater if a single uniform price were fixed upon that book throughout the country, with such addition as transportation required?

A. Yes, that is my opinion, and—

Q. (Interrupting.) And that opinion—pardon me—has never received the test of experience or time, has it, in this country? There has never been a period when there has been an absolute maintenance of a net price for a copyright book which has not been violated?

A. I should say that, with the one or two prevailing exceptions, that during the last two or three years, just that condition of things had existed.

Q. And the value of copyrights has, by reason thereof, increased?

A. I should say so, distinctly.

Q. Would you claim that the value of a Kipling copyright obtained to-day is greater than it was in 1900, by reason of that fact?

A. My opinion as to Kipling is very much biased. My opinion is that no Kipling copyright to-day has anything like the value it had before 1898, because the material is not equal to the material produced by him prior to that time. You see, a book is a very peculiar article. The value of a new book by a man like Kipling to-day compared with a new book by the same author in 1898, does not depend by any means merely upon business conditions. It depends upon the literary value of the material, and whether or not the public has become disgusted with the

writing of a brutal cad, or not. Now, a large part of the public, in my opinion, to-day, has become thoroughly sick and tired of Mr. Kipling, and therefore the copyright of a new volume by him to-day has not, in my opinion, the same value that a new volume would have had seven or eight years ago.

Q. Then there are other elements that go to make up the value of a copyright besides the dealers' ability to push it?

A. Unquestionably.

Q. And there are other inducements for the public to buy than merely the advertising and the persuasion of the dealer?

A. Unquestionably.

Q. And the statement that was made by Mr. Mackel, I believe, that books are sold either through advertisements or through the persuasion of a dealer is not wholly correct?

A. No.

Q. And the value of a copyright depends primarily upon the merit of the work and the taste of the public for it?

A. Yes, that is the first consideration.

Q. That is the test of it?

A. I would not say necessarily upon the merit of the work, because if you speak of merit in the literary sense, it is a curious fact that certain books, concerning which the best authorities would agree that there was no merit in them, nevertheless struck the public taste, and therefore had a great commercial success.

Q. Well, the final arbiter of the commercial merit of a book is eventually the public, is it not?

A. No, not the public of the day.

Q. Of the commercial value? I am not talking of the literary value?

A. Yes, the final arbiter of the commercial value of a book is unquestionably the public.

Q. And the attitude of a few dealers concerning that book would but slightly impair the value of the copyright, would it not?

A. It is all a question of proportion; it depends upon the proportion.

Q. I am not referring to the sales of those dealers, but their attitude towards the book. That is, if a few dealers would push the sale of that book, or not push the sale of that book, that would have but a very slight influence upon the value of the copyright, if it had the merit which appealed to the public?

A. Yes, the pushing or the non-pushing by a few dealers would of course have a slight effect.

Q. I will give an illustration of that. Your statements concerning Kipling lead me to believe that the sale of his work is not pushed in your book store. Do you think that your attitude towards Kipling in your store and the attitude of your clerks in the sale thereof have affected the value of the copyright to any marked degree?

A. No, because—

Q. (Interrupting.) Pardon me, I think that can be answered categorically.

A. Then I will say yes, but only in so far as the interest of one book store, as the proportion that the interest of one book store bears to that of hundreds of book stores throughout the country.

Q. But you are referring to the number of sales now, are you not? Would that attitude of G. P. Putnam's Sons towards Kipling affect the price that McClure, Phillips & Co. would pay to Kipling for the copyright of the book?

A. No, because the element is too small; the opposition element of one store merely would not be sufficient.

Q. In other words, the attitude of one individual, even though it be a large and well-known publisher and retail dealer such as your house is known to be, would have no effect upon the purchase price of the copyright on Kipling at the present time?

A. Not when our attitude consisted in simply not being interested in the sale of his books.

Q. Exactly?

A. That kind of an attitude, no.

Q. Of course, I have no reference now to the attitude which you say your house might take towards the merit of the books published by Kipling and the influence that you would exercise upon the public by reason thereof. I am taking it simply and solely from the commercial attitude of G. P. Putnam's Sons refraining from pushing the sale of a copyright work of Kipling?

A. It would have an effect upon the number of copies sold, but the proportion would be slight, because one store is a very small percentage of the total number of stores in the country that are selling the books.

Q. Do you think that the value of any copyright would be affected directly and injury thereto would result from the proximate cause of the commercial attitude of any individual house, either selling or refraining from selling the particular book?

A. Yes, distinctly, from some attitude.

Q. For instance?

A. Why, the attitude of refraining from selling would have a far less effect than the attitude of deliberately selling and pushing a book at such a price as was causing a depressing effect upon all the other dealers who were handling it.

Q. That depressing effect, of course, being merely the hypothetical situation?

A. I don't consider it hypothetical; I consider it a very serious fact.

Q. In other words, your attitude towards this whole question, as I take you to be, is that competition in the price of books at retail is injurious to the trade and to the copyrighter?

A. Yes, by competition; I should not put it by competition

in price, but I should say that under-selling in price is injurious; it amounts to the same thing.

Q. Under-selling is selling at less than the price fixed by the publisher or at less than the uniform price?

A. Yes, and I say under-selling does, in my opinion, affect the value of the copyright owner in that book.

Q. Is it possible, Mr. Putnam, that the under-selling of a book might increase its demand?

A. Why, I could not say that it is impossible.

Q. Isn't it a fact that the cheaper the price of books has become the volume of books sold has increased?

A. No, I should not say that; nor should I say that books have become cheaper.

Q. Isn't it a historical fact that, as the cost of production and the subsequent price to the public of literature in general has decreased, that there has been a very much larger increase in the number of volumes sold?

A. Well, you are confusing *post hoc* and *propter hoc.*

Q. I am asking a simple question?

A. That is, the world has grown and increased; that there has been an immense increase in the number of books sold is absolutely true; it is not true to-day that it costs less to make books than it did 25 years ago.

Q. How about 200 years ago?

A. Of course it costs less than it did 200 years ago.

Q. And hasn't the trade in books increased?

A. Yes, sir; just as it has in everything else; just as it has in pig iron.

Q. Hasn't the trade in books increased by reason of the cheapening of the processes of production in practically the same way as it has with every other commodity?

A. That has been one of the elements, yes.

Q. In other words, books are not different from other commodities?

A. Yes, sir; there are several points in which they differ distinctly from other commodities.

Q. In their commercial aspects?

A. Yes, in their commercial aspects.

Q. In what respects?

A. In just this one respect, that make them a very pleasing thing for an under-seller to take hold of; an under-seller—

Q. (Interrupting.) Pardon me if I interrupt you there. I will ask you a question. When you say under-seller, you mean those that sell below a fixed price, any books?

A. Yes; by under-seller we mean to-day any one who declines to conform to the rules under which the publishers of the country have decided that it was for the best interests of their business to have the goods sold.

Q. I wanted to get that clear, because under-sellers exist in every trade, in calicoes as well as patent watches?

A. Exactly, and the peculiarity of the book compared to the calico or to silk, is that the book, the new copyright book, is identical, whether it is bought in Macy's or Putnam's or Scribner's; and the question does not therefore arise as to the possible difference in quality when it is offered at a peculiarly low price. Therefore, it is a peculiarly pleasing thing for a dealer to make a card of, and it is quite worth his while if he is dealing in a hundred or a thousand different articles to say, "Here, this "thing, which is just the same as you can buy at Scribner's for "$1.50, I will sell you for 98 cents. That is a type of my price "on a hundred or a thousand articles, and you can therefore see "how greatly it will be to your advantage to do all your shop-"ping with us." I don't know any other article which can be used in that same exceedingly effective way.

Q. But I call your attention to some other articles; every single patented article that is sold at a fixed price; every single patent medicine that is sold at a fixed price; every single article that is sold by the manufacturer at a fixed price like the Earl & Wilson collar; every single one of the articles of the whole patent medicine trade?

A. But even with such a thing as the Earl & Wilson collar; the ordinary buyer is not convined in the same way of the identity of the collar at 19 cents and the collar at 25 cents, that he is of the identity of the "Crisis" at 98 cents, and the "Crisis" at $1.50.

Q. I may say that I cannot distinguish. Does not the same rule prevail in grain, in corn, in wheat, in cotton?

A. No, there is not the same capacity to distinguish on the part—we are not talking of expert buyers now, but of the ordinary general stupid public.

Q. Who are foolish enough to wish to buy at the cheapest place?

A. No; but I mean that the public, taken as a mass, is stupid, and therefore it would be very difficult to persuade the better class of buyers, in New York for instance, that a silk that Macy advertises for 98 cents was the same that Arnold would sell for $1.50; but it would be very difficult to convince even a very stupid person that a copy of the "Crisis" which he had bought at Macy's for 98 cents was not the same as one that his friend had bought in Scribner's for $1.08 or $1.20; and I maintain that there is no other article of current merchandise upon which there is that certainty of similarity that there is upon a book, and it is on that account that a house that wishes to impress upon the public the fact that it is the cheapest house in the country finds it worth while to emphasize that article and to make the fight that they have over this particular business because there is nothing else that will serve its purposes so well.

Q. Well, that is a hypothesis on your part?

A. Most of the things that I have said are hypothetical.

Q. The question has narrowed itself down to this here, whether, leaving aside the hypothesis which you have given as to the purposes of Macy & Company or any department store to use books merely as a bait for other articles, leaving that aside, if you can for the moment, do you consider that competition in the price of books at retail is injurious?

A. To whom?

Q. To the public, to the publisher, to the retailer and to the copyrighter; aside from that, it is rather difficult, I think, to emancipate yourself from the position of the parties in this instance. It is the naked question of competition, not whether a department store is selling it?

A. It is not the naked question of competition.

Q. I ask you that, whether the naked question of competition, aside from anything else?

A. I don't think it can be taken, aside from anything else, and I cannot group together the department store, the bookseller and the publisher and the author and the owner of the copyright. If you ask me if the cutting of the price of a copyright book is injurious to the owners of that copyright, I will say distinctly I believe it is, but I cannot group together the owner of the copyright and the publisher and the bookseller and the department store and the public and make any answer to that.

Q. You cannot answer that question at all, then?

A. No.

Q. Now, emancipating yourself once more, if you can, from the fact that the defendants in this case are conducting a department store, and assuming that they are running a book department purely and simply without any ulterior motive, such as you have in your mind, do you think that the sale by them at less than the fixed price of a book like "The Crisis" or "Tarry Thou Till I come" is injurious to the copyright?

A. Yes.

Q. To the value of their copyright, it is an injury?

A. Yes.

Q. A direct injury measurable in damages?

A. Well, I should not like to be called upon to measure it.

Q. Do you think that the value is not impaired in any precise degree, not accurately determinable?

A. I could not accurately determine it; somebody else might be able to, but that it is a distinct injury I have no question.

Q. When you say "a distinct injury," I presume you mean by that that it is a distinct injury to the dealer who handles it outside of the one who under-sells?

A. No.

Q. Isn't it like this, as it is in any other trade, that when you

cheapen an article to the consumer, that you increase the volume of business done by him?

A. Not necessarily; not if the decreasing of the price in one store is going to have the effect of decreasing of the sale in fifty.

Q. Well, that begs the question. I ask you, isn't it a fact as a general rule, independent of place or person, that the cheapening of the price of an article increases its consumption?

A. Oh, as an abstract question, yes.

Q. That is the usual commercial rule, is it not?

A. That is an ordinary commercial truism, I should say.

Q. It is an axiom?

A. Yes; but even there I should say, while it might be the case temporarily, it would not be necessarily true as a permanent thing.

Q. I will grant it; but is it not true as a general rule?

A. Yes.

Q. And is it not equally true and equally almost a truism that the competition reduces the price?

A. It may temporarily.

Q. As a general rule, does not competition reduce the price?

A. Well, I don't know. I suppose abstractly I should say yes.

Q. Isn't it an ordinary commercial truism that competition reduces the price?

A. Well, yes, I suppose it is.

Q. And isn't it a matter of fact true in your business experience, not alone in books, but in all things, that wherever there has been a free and unrestricted competition, the absence of all protection as to price or protection has cheapened the article and increased its consumption?

A. My answer to that would be that it might have done so temporarily and yet killed entirely the market for that article after a short time.

Q. Well, you have in your mind any particular instances, or are you simply seeking to avoid a generality?

A. I don't know as I have in my mind any particular instances except that is what I believe would be the case on this particular question.

Q. All books; I am talking generally now?

A. I am no economic expert, but I should say that it might easily be the case in other articles, that competition having sent the price down below the price where a living margin could be made, the result would usually be the driving out of that article from the market altogether, and therefore stopping its sale, even though temporarily there might be a large temporary increase.

Q. But where competition has not resulted in anything further than the cutting off of a margin of profit, the almost universal rule has been, has it not, that the competition in the

price has cheapened the price and a consequent increase in the consumption?

A. I would not say yes to that because it is simply going over exactly the same ground.

Q. I am merely seeking to get away from the exceptions that you have hypothetically placed?

A. I don't think I am capable of laying down a general economic rule. I can say what would be the case in my own general line of business because I base that upon impressions that I have and the experience that I have, but I could not lay down a general economic rule for the sale of pig iron or wheat or corn or anything else.

Q. We will take it in the case of books. Do you not think that the cheapening of an edition of Shakespeare or of the Bible or of Dickens or of Thackeray or of such standard works as are not at the present time protected by copyright, has in effect resulted in the increased consumption of those books by the public?

A. I suppose that is so.

Q. That is unqualifiedly so, is it not?

A. Yes, but that can be qualified. If you take any particular book, even the cheaper books, take any particularly cheap lines and cut down the price by competition so low that the dealer no longer finds it profitable to handle them, after a while he will throw them aside and they will be killed.

Q. But as a matter of fact, in those particular instances that I have given, where there is free competition not merely in the sale but even in the production, as between the publishers themselves, the reduction of the cost to the public has in fact increased the consumption.

A. Not merely the reduction of the cost unless the reduction of the cost were accompanied by say maintenance of a standard which rarely does acompany it; the result has been in many instances that the reduction in cost has meant a reduction in quality, and the dealers finally became disgusted at getting a very poor article at a price such that there is no margin and they have thrown it out, and when some new edition came along they took that up.

Q. Now, there are some editions called popular?

A. Yes.

Q. And they are called popular because of a reduction in price?

A. Because of being fairly good books at a moderate price.

Q. At a reduced price. I mean reduced, as compared with the original editions?

A. Not necessarily a reduced price. The ordinary popular edition of the standard authors, Dickens, Thackeray, and so forth, in the most successful instances, has been an edition that has maintained a fixed price for a series of years. It is such

editions as we handle; for instance, editions such that, having been satisfied with, as being a good combination, of fair manufacture, at a moderate price, we have become convinced would maintain both price and quality for a series of years. We have taken hold of those to the exclusion of others that we could buy cheaper.

Q. And yet those books are not copyrighted?

A. No.

Q. Nor are they sold under a net price system?

A. No.

Q. Sold at random and by whoever will, at any price?

A. Yes, sold at any prices they please.

Q. And that has not interfered with their sale in your store?

A. Oh, yes; as a matter of fact, people interested in cutting the prices on the very cheap standard sets as a rule use a lower grade of set than we run, but we have had not infrequently comparisons where some of this same edition has been handled by an under-seller, and then we have lost sales.

Q. You have lost sales? But the volume of business in that book has not been destroyed?

A. I don't know; but the mere fact that one store loses the sale of an article does not mean necessarily that its competitor makes the sale.

Q. Do you not think that it ordinarily means that if a person refuses to buy one of your copyright books because your neighbor is selling it cheaper that he is going to buy a set of that book?

A. No, not necessarily.

Q. Not necessarily, of course, but ordinarily?

A. It is less so with books than with other merchandise. If he is going to buy a pound of butter, if it is 23 cents in one store and 25 in another, he will buy it at 23 cents if he thinks the quality is the same; but his mind will be switched off from books very frequently.

IRVING PUTNAM.

Sworn to before me.

JOHN A. SHIELDS,

Examiner.

New York, October 17, 1904, 3 P. M.

APPEARANCES.

Edmond E. Wise, Esq., of Counsel for Defendant.
Boardman, Platt & Soley, Esqs., Attorneys for Complainant.

JOHN J. CURTIS, called on behalf of the complainant, and duly sworn, testified as follows:

Direct-examination:

Q. You are the secretary of the Bobbs-Merrill Company, the complainant in this suit?
A. Yes.
Q. (Handing witness paper.) Is this paper which I show you the copyright page cut from a copy of "The Castaway?"
A. Yes.

Complainant's Counsel: I offer that in evidence.

Paper received and marked Complainant's Exhibit No. 1.

Q. Is the copyright page in every copy of "The Castaway" which has been published identical in words, form and type and arrangement with this exhibit?
A. Yes.
Q. Will you state your experience in the publishing business?
A. Well, what do you mean by that?
Q. State fully how long you have been engaged in the publishing business and in what capacity?
A. I have been in the book business since 1873, and directly in the publication department since 1895.
Q. Have you since 1895 participated in the publication of copyright books?
A. Yes.
Q. To what extent?
A. As manager of the publication department.
Q. Of this complainant?
A. Of the Bobbs-Merrill Company.
Q. How many copyright books have been published by the Bobbs-Merrill Company in that period?

Defendants' Counsel: That is objected as incompetent, irrelevant and immaterial.

A. I should say between 400 and 500.
Q. Are you familiar with the values of copyrights of works of fiction?
A. Yes.
Q. What in your opinion was the value of the copyright of "The Castaway" at the time of the commencement of this suit?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial.

A. About $50,000.

Q. Has the Bobbs-Merrill Company, the complainant herein, suffered any damage from the defendants' reduction of the price, the retail price, of "The Castaway?"

Defendants' Counsel: That is objected to as incompetent and as calling for a conclusion, without stating the grounds for it, and on the further ground that the witness has not qualified himself as an expert to answer that question.

A. Yes.

Q. In what way?

A. The cutting of the price established by the clause on the copyright page demoralizes the regular trade through the legitimate booksellers, the legitimate book stores.

Q. Has it suffered any damage which you can determine definitely in a pecuniary way?

A. Not definitely without a great deal of research.

Q. Could you determine the amount of your damage with any amount of research?

A. No.

Q. Why not?

A. It would be impossible to determine how many sales were lost because booksellers, when the price was cut, naturally lost interest in the sale of the book, and do not re-order liberally or push its sale.

Q. Is the injury suffered by the Bobbs-Merrill Company direct or indirect?

Defendants' Counsel: I object to the question as improper on the ground that the only injury which is recoverable in an action of this kind is a direct injury, and furthermore, it calls for a conclusion.

A. The injury is direct.

Q. Will you explain what you mean by direct?

A. We advertised extensively that we would maintain this price which was in accordance with the agreement with the author, in his arrangement with us for the copyright. The book had a large sale on account of the low retail price, but as soon as it was known that the price was cut by under-sellers, the orders fell off and we therefore suffered that much loss of business.

Defendants' Counsel: I move to strike out that answer on the ground that it is a pure conclusion of facts upon the part of the witness and that there is not a single circumstance in the case presented by the witness to warrant such a conclusion.

Q. Is that injury which you have described direct or indirect? By a direct inquiry, I mean one that flows immediately and proximately from the acts of the defendant.

Mr. WISE: I object to that for the same reasons as being incompetent, irrelevant, and it calls for a conclusion on the part of the witness.

A. The injury is direct in some cases and in other cases it is indirect. That is, it is lasting in some cases and in other cases we feel the effect immediately.

Q. That is not the question. The question is not whether the injury is permanent but whether the result or the effect of the act is direct or through intermediate means.

A. It is indirect in that case.

Q. Then, will you qualify your former answer in view of this explanation?

A. Yes.

Q. About what time did it become a matter of general knowledge among book dealers that the defendants had cut the price of "The Castaway?"

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial and on the ground that the witness has not qualified to speak upon this subject.

A. Within a week or two.

Defendants' Counsel: A week or two within what, Mr. Curtis?

Q. After publication, do you mean?

A. After the sale began at the cut price.

Q. About what month and in what part of the month was that?

A. I haven't that date here; I don't know when it was.

Q. Just approximately?

A. I think it was about the middle of June.

Q. Was there any change in the volume of your sales of "The Castaway" after this date?

Defendants' Counsel: I object to that as incompetent, irrelevant and immaterial, and not bearing upon the issue of the question of damages.

A. Yes.

Q. What change?

Defendants' Counsel: The same objection.

A. The sales fell off.

Defendants' Counsel: I move to strike out that answer on the ground that it is a conclusion.

Q. Can you specify any sale which was lost after that date which you know to have been due to the reduction of the price by the defendants?

Defendants' Counsel: I object to that on the ground that the witness cannot possibly give such things without stating the facts on which his knowledge as to the cause was based.

A. No.

Q. Was this action brought in the interests of the American Publishers' Association?

A. No.

Q. Was it brought at the request of the American Publishers' Association?

A. No, the American Publishers' Association knew nothing of the action nor of the plan of the action and had nothing whatever to do with it.

Cross-examination:

Q. Your books are published, Mr. Curtis, under the rules of the American Publishers' Association, are they not?

A. Yes.

Q. You are a member of this association?

A. Yes.

Q. The American Publishers' Association has adopted the so-called net price and the restricted price system, has it not?

A. Yes.

Q. That system has been widely advertised, has it not?

A. Yes.

Q. And the American Publishers' Association has punished or attempted to punish those dealers who have not obeyed it?

A. Yes.

Q. And the rules and regulations of the American Publishers' Association are known to all dealers, are they not, as to the maintenance of the net price system, I mean.

A. Yes, they ought to be known; I could not say that they are known to all.

Q. As a matter of fact, every dealer on purchasing books is acquainted by the individual firm from whom he buys as to the rules and regulations of the American Publishers' Association, and that he is required to maintain them?

A. Yes, every dealer and every bookseller.

Q. And unless he agrees to that either expressly or tacitly, he cannot obtain books, copyrighted books?

A. Yes.

Q. So that it is pretty safe to say that every dealer with whom you deal is familiar with the rules and regulations of the American Publishers' Association?

A. Yes.

Q. And that unless he obeys them, you will not sell to him your copyright books?

A. Yes.

Q. "The Castaway" was published under the net price system at $1.00 net, was it not?

A. No; it was published under the copyright clause which is in each copy of the book on the copyright page.

Q. Don't your corporation obey the rules of the American Publishers' Association?

A. Yes.

Q. Isn't it a fact that this book comes under the rules of the American Publishers' Association?

A. No, it is a new departure.

Q. Isn't it a fact that the net retail price of this book, "The Castaway," is published by you on the cover of the book?

A. No.

Q. Is that the difference between your book and the other books?

A. No.

Q. What other difference is there between your book, "The Castaway," and those that are published under the net price system of the American Publishers' Association?

A. "The Castaway" is published with the clause on the copyright page which makes it a condition of the copyright that the price should be $1.00 at retail.

Q. That is the only departure from any other book published by the Publishers' Association under the net price system?

A. No.

Q. What other departure is there?

A. This price was specially advertised in all of the trade journals and especial attention was called to it by the fact that this clause was on the copyright page.

Defendants' Counsel: I move to strike that out as not answering the question.

Q. Bearing in mind the fact that I am now talking of the publication of the book and not as to its advertisements, I will repeat the question that was asked for before. In what other way does the publication of this book differ from the books published by the American Publishers' Association and its members under the net price system?

A. It is at a lower retail price.

Q. Is there any other difference in the methods of publication?

A. Yes, the novelty—the new condition at which the price is to be maintained.

Q. Will you specify in what that new condition consists?

A. That the price is printed on the copyright page and is the condition of the copyright.

Q. That it is stated to be so by the notice?

A. Yes.

Q. In other words, the sole difference that exists between this book, "The Castaway," and any other net book published by the members of the American Publishers' Association is that in "The Castaway" there is a notice on the so-called copyright page to the effect that no dealer is licensed to sell the book at less than $1.00, and that a sale at a lower price will be treated as an infringement of the copyright?

A. No, there was another difference.

Q. May I ask what it is?

A. The book was not issued as a regular net book under the rules of the American Publisher's Association, but was issued at a price of $1.00, which was made a part of the conditions of the copyright and was printed on the title page.

Q. When you say that it was made as a condition of the copyright, I presume that you mean to say that it was intended so to do; that it was the intention of the publishers so to make it a condition of the copyright?

A. I mean by a condition of the copyright that it was agreed in our contract for the copyright with the author.

Defendants' Counsel: Then I move to strike out the answer as stating a conclusion of law as to what is and what is not within the copyright and as a conclusion upon the very point at issue in this action.

Q. You understand, do you not, that the issue in this action between the Bobbs-Merrill Company and the defendants is to determine whether the notice printed in "The Castaway" is properly so far within the copyright law as to give you a cause of action restraining the sale by the defendants of that book at a loss?

A. Yes.

Q. And your previous answers as to the differences between this book and the net books published by the members of the American Publishers' Association, in so far as it says that the notice is within the copyright law, is intended to set forth the intention of the publishers to bring it within the copyright law, is it not?

A. Yes.

Q. The effect of the net price system adopted by the American Publishers' Association was to maintain the net price of the book as published by all retail dealers, was it not?

A. Yes.

Q. The effect of the notice in your publication that the book should be sold at $1.00, and that a sale at less than $1.00 would be considered an infringement of the copyright is intended to have the same result, is it not?

A. The same result as what?

Q. As the Publishers' Association's rules, that is, to maintain a uniform price at retail?

A. Yes.

Q. You were aware, were you not, Mr. Curtis, that the defendants in this action have refused to obey the rules of the American Publishers' Association as to the maintenance of the net price or restricted price system in sales at retail?

A. Yes, sir.

Q. And you are aware that their refusal to abide by those rules was continued from May, 1901, until the present time?

A. I don't know that; I think so.

Q. You knew that R. H. Macy & Company had never agreed to abide by the rules and were known throughout the trade as persistent and continuous price cutters.

A. I think so.

Q. How many books have you published under the net price system since 1901?

A. It is impossible to state that, with our large list, but I should say 20 or 30.

Q. Those were all published with a view to maintain the retail price?

A. Yes.

Q. Was the retail price maintained?

A. Yes.

Q. By R. H. Macy & Company?

A. I don't know.

Q. Were you informed that the books published by you under the net price system were sold at retail at less than the minimum price by R. H. Macy & Company?

A. Yes.

Q. You have been so informed?

A. Yes.

Q. Have you not been so informed as to all your books?

A. No.

Q. Have you in mind any particular book on which R. H. Macy & Company did not cut the price?

A. I can only recall a few that they have, as far as I know.

Q. Is there any on which they have not? That is the most important question. Do you assume that those that you have not heard of that they maintain the price on them?

A. I don't know whether they maintained the price or whether they sold them at all or not.

Q. But whatever you have heard of their sales, they have been sales below the price?

A. Yes.

Q. What is the wholesale price of "The Castaway" in quantities?

A. Sixty-seven and a half cents.

Q. Is that the lowest price? What would be the wholesale price for quantities of 1,000?

A. I don't know how it figures out exactly, but it is between 64 cents and 65 cents; it is 5 per cent. lower than 67½ cents.

Q. You stated that there was an injury to the copyright by reason of R. H. Macy & Company selling "The Castaway" at less than the fixed price. Would the attitude of R. H. Macy & Company alone affect the value of that copyright or do any injury thereto?

A. Yes, if they cut the price.

Q. If they sold at less than $1.00?

A. Yes.

Q. That injury would extend throughout the United States?

A. To some extent, but largely local.

Q. When you say "largely local," you mean to the immediate locality around Thirty-fourth Street and Thirty-fifth Street, where R. H. Macy & Company are, or in the City of New York?

A. In the City of New York, and where the daily papers of New York reach.

Q. Provided always that they have advertised "The Castaway" at a lesser figure than your figure, I assume you mean?

A. Yes, or a general statement that they sold books lower than anybody else.

Q. That would work an injury throughout the locality by reason of a reduction of sales?

A. Yes.

Q. And that did so work an injury?

A. Yes.

Q. Can any publisher or dealer precisely determine what causes the falling off in sales of his book?

A. Not precisely.

Q. Can he tell whether the diminution in sales is due to loss of popularity by reason of lack of interest by the public, or lack of merit or lack of advertising or any one of the numerous causes which go to the depreciation of a book when once published?

A. No.

Q. When you say that the loss, if any, is due to the attitude of R. H. Macy & Company towards "The Castaway," isn't it possible that the depreciation or dimunition in sales was due to some other causes?

A. Yes.

Q. Due to a number of other causes?

A. Yes.

Q. Is it going too far to say that even financial depressions in the market might diminish the sales of a book?

A. Yes.

Q. Financial crises of all kinds would affect the sales of a book?

A. Yes.

Q. Adverse criticisms might affect the sale of a book.

A. Sometimes and sometimes it helps.

Q. So that the particular cause which directly diminishes the sales of any particular book, "The Castaway" included, cannot be determined with absolute precision?

A. Except for one reason.

Q. I ask you to answer the question yes or no.

A. No; except for one reason.

Q. What is that?

A. It is caused by the dealers losing interest in a book which has been cut by the under-seller and which they cannot afford to sell at such a cut price.

Q. Can you, in your experience in the book business since 1872, point out a period of time when there was not under-selling in the book business by some one or other prominent house?

A. No.

Q. So that the statement that the under-selling impairs the interest of a dealer is not based upon any experience in the past because there never has been a period when there has not been under-selling?

A. It has always had the same effect.

Q. Then the value of the restriction and maintenance of the price is, in your opinion, to give an additional value to the copyright of a book which it formerly did not have?

A. Yes.

Q. And which no copyright up to the present time has had?

A. I don't know.

Q. Well, have you ever known of a period when the price of a copyright book was absolutely maintained by everybody without exception?

A. There might be some subscription books that are maintained, I could not say yes or no to that question.

Q. I am now referring to the general trade and not subscription books?

A. No.

Q. In so far as subscription books are concerned, has the value of the copyright been increased by the fact that the books were issued at subscription by a uniform rate?

A. Yes.

Q. In every instance?

A. I think so.

Q. Isn't it a fact that a number of subscription books published at a fixed price have been and can be bought in later years at a very much less price in the open market?

A. Yes.

Q. And that the new editions of that book could not find a sale at the original subscription price?

A. Yes, sometimes.

Q. In what respect was the copyright then made more valuable by the uniformity in subscription prices?

A. It was more of an inducement to sell them.

Q. The original sale?

A. Yes.

Q. Was the sale increased always?

A. I don't know.

Q. But you are well aware of the fact that R. H. Macy & Company, the defendants in this action, have always cut the prices of all books sold in their stores, copyrighted or published since 1901?

A. I have heard that that is their policy, more or less.

Q. And you know that they are engaged in litigation with the American Publishers' Association and its members?

A. I thought that had been settled.

Q. Then I will say that you knew that they were in litigation?

A. That is right.

Q. As far as you know, the attitude of R. H. Macy & Company towards "The Castaway" was no different than towards any other copyright book published under the net price system?

A. No.

Q. There was precisely the same under-cutting?

A. Yes.

Q. And the damage to which you refer as being done to the copyright is the damage which is done to that increase of value which you assume a copyright would have in case the price were maintained uniformly?

A. And the damage that is caused to us by cutting a price that we have largely fixed as a net price and protected by copyright.

Q. That is a moral damage, a damage to your prestige.

A. A damage in dollars and cents.

Q. In what respect?

A. In the sale of it.

Q. In case R. H. Macy & Company should sell at the reduced price enormous quantities of your book to the injury of all the dealers in the neighborhood would there be any money damages to you?

A. That would depend on how enormous "the enormous" was.

Q. That is, if they should increase their sales by advertising to an enormous extent, no damage at all would inure to you?

A. Yes, ultimately there would be a damage.

Q. In what respect?

A. The next book of that kind that—

Q. (Interrupting.) I am now talking of this particular book, not of the next book?

A. It would go over the country that the price was cut and the dealers would be afraid of the book.

Q. Of that book?

A. Yes.

Q. Well, assuming that R. H. Macy & Company should purchase 1,000,000 copies of your book and give them away, would you be damaged thereby, looking at it from the ordinary point of view as to the number of books you would ordinarily sell of that description?

A. If they purchased 1,000,000 I think we would be satisfied with that transaction.

Q. And permit them to sell them at any price they pleased?

A. Yes, sir.

Q. So that if the reduction of the price would increase the sale, there would be a money profit instead of a money loss to you on that particular copyright?

A. Yes, on that particular one and not the future ones.

Q. And when you refer to the damage that is done to you, you have not in mind damage to a particular copyright in question, but to the future copyright books which your house would sell?

A. I refer directly to "The Castaway."

Q. You cannot state whether the sales by R. H. Macy & Company have been large or small, can you?

A. No.

Q. You do not know whether they sold 200 or 10,000 copies of that book, do you?

A. Yes.

Q. What do you know between the two?

A. Our organization would indicate the sale of 10,000 copies to them.

Q. Then, if 10,000 copies were sold by Macy & Company it would increase your sales?

A. If 10,000 copies were sold by Macy & Company we would know it.

Q. Through the increase of the sales?

A. By the records.

Q. What records?

A. By our records in our business.

Q. You don't keep a record of R. H. Macy & Company's sales, do you?

A. Sometimes a record is kept of what they sell.

Q. I ask you if you kept a record of "The Castaway" that R. H. Macy & Company sold?

A. No.

Q. You cannot tell what they sold?

A. Except that we were certain that they did not sell 10,000 copies.

Q. That Macy & Company did not sell 10,000 copies?

A. Yes.

Q. Can you tell whether they sold 2,000 copies?

A. No.

Q. Can you tell whether they sold 1,000 copies?

A. No.

Q. Can you tell whether they sold 500 copies?
A. No.
Q. Can you tell whether they sold 200 copies?
A. We might, by a research, ascertain some specific quantity that they sold.
Q. Did you sell them any books?
A. No.
Q. Then you could not tell that?
A. We could have somebody go around there and count the pile and go around in a week or two and see if it was there yet.
Q. But you did not do that in this instance?
A. No.
Q. So that you have no knowledge whether they sold 100 copies or 200 copies or 1,000 copies?
A. No.
Q. Suppose that R. H. Macy & Company had sold 200 copies only, would that impair the value of your copyright?
A. Yes.
Q. Would it impair it to the same extent as 2,000 copies?
A. Yes, sir; if they sold at a cut price.
Q. I am assuming that they cut the price?
A. Yes.
Q. And if they sold 10,000 would that impair your copyright?
A. Yes.
Q. No matter how much they would increase their sales, it would impair your copyright?
A. It would depend on what they sold them at.
Q. Oh, is that a cut price?
A. If the price was low, it would.
Q. You know at what price they sell them at?
A. No.
Q. You had sworn so in your affidavit?
A. I don't know now. I knew at what that particular copy was purchased.
Q. You know that they sell their books at a uniform price and that this particular book was sold at 89 cents?
A. Yes, that particular book was sold at 89 cents, but I don't know what their uniform price is.
Q. But assuming that all their books are sold at a uniform price and that there is no difference in the price of any particular work and that all books of "The Castaway" are sold at 89 cents, would the impairment to the value of your copyright be the same if 2,000 copies were sold as it would be if 10,000 copies were sold?
A. I don't know.
Q. Might it not be as I have before stated, that by increasing their sales they increase the number of copies sold by you?
A. I think not.
Q. If I understand you correctly, the moment a dealer cuts the

price an injury is done to the copyright and its value is impaired and there is and can be no increase in the number of the books published under that copyright sold by the publisher?

A. Yes, there could be.

Q. Isn't it a fact that the Bobbs-Merrill Company published "The Castaway" at the price of $1.00 because no book of that kind had theretofore been published at so cheap a price and that they expected to increase its sales by reason of the attraction of a lower figure for the book?

A. Partly by the lower price, but mainly by the fact that we were protecting the price by the clause on the copyright page.

Q. Then, in the publication of "The Castaway" by the Bobbs-Merrill Company at $1.00 net, they sought to secure in part an increased sale by a reduction in price from the usual type of book of that character?

A. Yes.

Q. Then a reduction of price in part increases the demand?

A. No, not always.

Redirect-examination:

Q. Was it a fact that you expected the total sales of "The Castaway" to be increased by reason of the low retail price at which it was issued, or is it a fact that your expectation was based upon the maintenance of the low retail price uniformly in the trade?

A. Our great expectation was the maintenance of the price as specified on the copyright page by all dealers.

Q. As to the diminution of sales of "The Castaway," which occurred last spring, to which you testified, do you know of any causes other than the reduction of the price by the defendant which would have occasioned that diminution?

A. No.

Recross-examination.

Q. Is there throughout the United States any other firm that cuts the price of "The Castaway?"

A. With the exception of two or three, none that we have had any knowledge of.

Q. Did the firm of Abraham & Strauss cut it?

A. I don't know.

Q. Did the firm of Snellenburg cut it?

A. Yes.

Q. Does the firm of Hunter & Hunter cut it?

A. Not now.

Q. Did they?

A. Yes.

Q. Isn't it a fact that there were a number, at least 10 or 12 prominent houses that did cut the price?

A. I don't know of but three.

Q. And to which one is due the depreciation of the value of your copyright, to which one of those three firms is due the depreciation of the value of your copyright?

A. Each in proportion to their prominence and the amount of business that they do.

Q. In what proportion is R. H. Macy & Company responsible for it?

A. Well, I have friends in all of these houses and I would not like to answer that question.

Q. I think it is a very pertinent question to ask here. You charge us with the whole damage. Are they responsible for the whole damage?

A. No.

Q. They would be responsible only in proportion to the business they have done as compared with all other price cutters?

A. Their business and their influence.

Q. When you say their "influence," what do you mean by that?

A. Their prominence in the United States.

Q. As directed against "The Castaway" especially?

A. Yes.

Q. Or their attitude towards all copyright books?

A. As directed towards "The Castaway," yes.

Q. Is there any difference in their attitude towards "The Castaway" from their attitude towards any copyright book?

A. I don't know.

Q. You don't know of any difference?

A. No.

JOHN J. CURTIS.

Sworn to before me.

JOHN A. SHIELDS,
Examiner.

SOUTHERN DISTRICT OF NEW YORK, *ss.:*

I, JOHN A. SHIELDS, examiner, hereby certify that the foregoing testimony in the above entitled cause was taken before me at the time and places in record thereof indicated; and that before testifying each of the witnesses was by me severally and duly sworn to tell the truth, the whole truth and nothing but the truth.

JOHN A. SHIELDS,
Examiner.

Complainants' Exhibit 1.

COPYRIGHT 1904
THE BOBBS-MERRILL COMPANY

MAY

The price of this book at retail is One Dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.

THE BOBBS-MERRILL COMPANY.

PRESS OF
BRAUNWORTH & CO.
BOOKBINDERS AND PRINTERS
BROOKLYN, N. Y.

Answer.

United States Circuit Court for the Southern District of New York.

THE BOBBS-MERRILL COMPANY, Complainant,
against
ISIDOR STRAUS and NATHAN STRAUS, co-partners doing business under the firm name and style of R. H. Macy & Company, Defendants.
} Answer.

The joint answer of the defendants, Isidor Straus and Nathan Straus, individually and as co-partners trading under the name of R. H. Macy & Company to the bill of complaint of the above-named complainant:

I. These defendants saving and reserving to themselves all and all manner of benefit, advantage or exception which may be had or taken to the manifold errors, uncertainties, imperfections and insufficiencies in the said complainant's said bill of complaint contained, for answer thereto or unto so much and such parts thereof as they are advised are material for them to answer, answering say:

II. These defendants have no knowledge or information sufficient to form a belief as to the allegations contained in paragraph I of the bill of complaint, and therefore require proof thereof.

III. These defendants admit the allegations contained in paragraph II of said bill of complaint.

IV. These defendants have no knowledge or information sufficient to form a belief as to the allegations contained in paragraphs III, IV, V, VI, VII, VIII, IX and X of the said bill of complaint and therefore deny the same.

V. These defendants admit as alleged in paragraph XI of the bill of complaint that in the course of their business they have procured for the purpose of sale at retail, copies of said copyright book not directly from the complainant but they have no knowledge or information as to whether the complainant knew the persons from whom they obtained the same, and they furthermore admit that they knew that said copyright book was published and issued to be sold at certain net prices and they deny each and every other allegation in the said paragraph contained.

VI. These defendants deny each and every allegation contained in the XII paragraph of the said bill of complaint, excepting the allegation that they have sold said book at a less price than one dollar net per copy, to wit, at a price of eighty-nine cents per copy, and that they are still selling, exposing for sale and offering copies of said books at less than one dollar per copy.

VII. These defendants have no knowledge or information sufficient to form a belief as to the allegations contained in paragraph XIII of the bill of complaint, and therefore deny the same.

VIII. These defendants deny the allegations contained in paragraphs XIV and XV of the bill of complaint.

And for a further answer and defense herein these defendants allege:

1. That as these defendants are advised and believe the complainant's remedy in the premises, if any, is adequate and complete at common law and that the alleged cause of action set forth in the bill of complaint is not a proper cause for the intervention of a court of equity and that as these defendants are advised and believe a court of equity has not jurisdiction thereof.

And for a further answer and defense herein the defendants allege:

2. That during the year 1900 the complainant and a large number of other publishers, for the purpose of securing to themselves an unreasonable and extortionate profit, and with the intent to prevent competition in the sale and supply of books in the State of New York and throughout each and all of the States and Territories of the United States, and for the purpose of establishing and maintaining the retail price of all copyrighted books published by them or any of them, and of all books dealt in by them or any of them, and preventing competition in the sale and supply thereof in the State of New York and elsewhere throughout the United States, unlawfully, illegally and contrary to the public policy and statutes of the State of New York and of the United States, combined and associated themselves together and as a part of such unlawful combination or scheme formed and incorporated a membership corporation under the laws of the State of New York under the name of the American Publishers' Association, which included amongst its members the complainant herein and a large majority constituting about 95 per cent. in numbers and extent of business of the publishers of all books in the State of New York and throughout the United States.

3. And defendants say that in furtherance of said unlawful combination or scheme the American Publishers' Association and its various members, including the complainant herein, immediately after its organization, adopted resolutions and entered into agreements with each other which were intended to prevent the cutting or reducing of prices on copyrighted books published by the members of the said Association, including the complainant herein, by which each of the members of the said association, including the complainant, agreed that all copyrighted books published by any of them after May 1st, 1901, should be published and sold at retail at net prices; that is, the published price thereof and not be subject to any discounts or reductions.

4. That as a part of said unlawful scheme and combination the members of the said Association, including the complainant herein, agreed that such net copyrighted books, and all other books, whether copyrighted or not, or whether published by them, or not, should be sold by them to those booksellers only who would maintain the retail price of such copyrighted books for one year, and to those booksellers and jobbers only who would sell books at wholesale to no one known to them to cut or sell at lower figures than such retail price or whose name should be given to them by said Association as one who cut such prices.

5. Defendants allege that an office was established by said American Publishers' Association for the purpose of carrying out the aforesaid plan, and the members thereof, including the complainant, agreed that through the agents of the said association and the members thereof, they would aid in the formation of a booksellers' association to co-operate with the said American Publishers' Association, to assist in said unlawful scheme to maintain the retail price of books as aforesaid, and prevent competition in the price and supply thereof in the State of New York, and elsewhere throughout the United States, and that the said American Publishers' Association and all the members thereof, including the plaintiff, pledged themselves to support said booksellers' association by every means in their power.

6. That thereafter the American Booksellers' Association, composed of 90 per cent. in numbers and extent of business of the booksellers at wholesale and retail throughout the State of New York and the United States, was organized through the efforts and influence of the said American Publishers' Association and its members, including the complainant herein, for the avowed purpose of co-operating with the said American Publishers' Association and its members, in the unlawful purpose of maintaining the retail prices of copyrighted books and preventing competition in the sale of all books and in the price and supply of the same, whether copyrighted or not, in the State of New York, and throughout the United States and for the purpose of monopolizing trade or commerce in books among the several States, and for the purpose of restraining trade or commerce in books among the several States.

7. And defendants say that in pursuance of said unlawful agreement, neither of said associations nor any of the members thereof, including the complainant, would sell or supply any books at any price, to any dealer in the State of New York, or elsewhere in the United States, whether a member of said associations or not, and whether such books were copyrighted or not, or were, or were not published by the said American Publishers' Association or its members who did not maintain said arbitrary retail price on copyrighted books, or who would resell, or was

suspected of reselling, such copyrighted books to any dealer who thereafter sold the same at less than the arbitrary price fixed by said unlawful combination.

8. That thereafter, to wit, on or about the 31st day of March, 1903, the said American Publishers' Association and its members, including the complainant, entered into a further agreement whereby it was agreed that on all copyrighted books and fiction (not net) which had been published by them after February 1st, 1902, and on all board books, flat picture books or toy books (not net) published by them after March 1st, 1903, the greatest discount allowed at retail for one year after publication should be 28 per cent. and that all the rules and regulations theretofore agreed upon to fix prices and prevent competition in the sale of net books should apply to this extent to the sale at retail of fiction, and juvenile board books, published on the same basis as fiction.

9. That thereafter and during the month of February, 1904, in an action brought by these defendants in the State Courts of the State of New York against the American Publishers' Association and such publishers, members thereof as were within the jurisdiction of the court and the American Booksellers' Association and a number of members thereof within the jurisdiction of that court, the Court of Appeals of the State of New York rendered its decision that the combination and agreements of the defendants in that action being such as hereinbefore set forth were unlawful and contrary to the declared public policy of the State of New York, and more especially of the statute law of said State and known as Chapter 690 of the Laws of 1899.

10. That thereafter the American Publishers' Association and its members and the American Booksellers' Association and its members pretended to change the rules, regulations and agreements condemned as illegal and unlawful by the Court of Appeals of the State of New York in so far as the same affected uncopyrighted books, but continued the same in so far as all copyrighted books were concerned, and these defendants charge that none of the members of the Publishers' Association or of the Booksellers' Association will sell any copyrighted books of any kind whether published by them or not or whether the copyright is owned by them or not to any dealer in the State of New York or elsewhere in the United States, who does not maintain said arbitrary retail price on copyrighted books or who would resell or who was suspected of reselling such copyrighted books to any dealer who thereafter sold the same at retail at less than the arbitrary price fixed by said unlawful combination.

11. That ever since May 1st, 1901, the two afore-mentioned associations and the respective members thereof, including the complainant herein, have unlawfully and contrary to the declared policy of the State of New York and its statutes and the

statutes of the United States, maintained such combination whereby competition in the State of New York, and throughout all the States of the United States, in the sale and supply and price of books has been and is restrained or prevented and whereby trade or commerce in books among the several States has been and is monopolized by the said combinations, and trade or commerce in books among the several States has been and is restrained, and whereby the free pursuit in the State of New York and throughout the United States, of the lawful business of selling books has been, and is restricted or prevented.

12. That the purpose and intent of said unlawful conspiracy and combination was, and is, to establish and maintain increased and excessive prices for books, and thereby secure to the publishers and dealers who are members of said associations, including the plaintiff herein, an increased and extortionate profit, and that such purpose and intent has been and still is being carried into effect, and that by reason thereof the prices of books and the profits thereon have been and still are unreasonably increased.

13. That the members of the said American Publishers' Association, including the complainant and the members of the said American Booksellers' Association, were at the time when said combinations were formed, and have been at all the times since then, and since the formation of said associations, and now are engaged in the business of interstate commerce. That the members of said associations, including the complainant herein, do now, and at all the times herein mentioned have resided and carried on their business of selling books in many different States, and that in the conduct of their business as wholesale and retail dealers in books, the members of the said two associations, including the complainant herein, were, and now are, engaged in the business of purchasing books, copyrighted and non-copyrighted, from each other and from other persons in many States other than the States in which the purchaser resided, and now resides and does business, and all such books are, and have been transported in compliance with the contract of purchase from the State where such books were purchased, to the purchaser in the State where he resides and conducts business. And members of both of said associations, including the complainant herein, also sell and have sold books to many persons who are not members in States other than the one in which they reside and conduct t! ir business, and all such books are transported in compliance with the contract of purchase from one State to another.

14. That the members of the said two associations, including the complainant herein, do now and have heretofore conducted the production, sale, at wholesale and retail, and distribution of the majority of all books produced and dealt in throughout the

State of New York, and all the other States and Territories of the United States.

15. The defendants say that all the rules, regulations and agreements made by the said two associations and its members, including the complainant, as hereinbefore set forth were intended to be applied to and be enforced, and have been and are now applied to and enforced, against all publishers and dealers in books, throughout all the States of the United States, whether such publishers and dealers are or are not members of either of said associations, and whether they purchase books in one State for transportation to another, or for delivery in the State where purchased.

16. That the defendants are not now and never have been members of either of said associations or parties to any of the unlawful agreements hereinbefore set forth, nor have they at any time agreed to abide by any of the rules of either of said associations. And these defendants further say that shortly after May, 1901, the complainant herein, under and pursuant to the rules of the said American Publishers' Association, and the said American Booksellers' Association, refused to deal with these defendants in their books, copyrighted and non-copyrighted, and warned all wholesale and other dealers from selling books published or dealt in by complainant to these defendants for the reason, as these defendants are informed and believe, that these defendants refused to maintain and sell at the arbitrary fixed price established a copyrighted book of another publisher and member of said Publishers' Association, to wit, of Funk & Wagnalls Company, and that at the time that the complainant herein so refused to deal with the defendants or permit others to deal with them in their copyrighted or non-copyrighted books, these defendants had not sold any copyrighted books published by the complainant under the rules and regulations of the said American Publishers' Association at all at any price. And these defendants further allege that the complainant herein has brought this action ostensibly in its own behalf, but really as a part and parcel of the plan of the American Publishers' Association and its members to enforce and establish the arbitrary rules adopted by it and its members, including the complainant, and by the American Booksellers' Association and its members, and that this action has been brought, and is being prosecuted for the benefit of all the members of the said American Publishers' Association, and the said American Booksellers' Association, and the said two associations, and not for the purpose of protecting any rights secured to the complainant by any copyright alleged by them.

Wherefore these defendants pray that they may be hence dismissed, and that they may have and recover of the complainant

the costs and expenses of this suit in that behalf most wrongfully sustained.

R. H. MACY & CO.,
By ISIDOR STRAUS.
ISIDOR STRAUS,
NATHAN STRAUS,
By ISIDOR STRAUS. Atty.
SPIEGELBERG & WISE,
Defendants' Solicitors,
19 William Street,
New York City.

J. G. CARLISLE,
EDMOND E. WISE,
Of Counsel.

United States Circuit Court, Southern District of New York.

THE BOBBS-MERRILL COMPANY
vs.
ISIDOR STRAUS *et al.*

UNITED STATES OF AMERICA,
State of New York,
City and County of New York. } *ss.:*

ISIDOR STRAUS, being duly affirmed, says that he is a member of the firm of R. H. Macy & Company, and one of the defendants in the above entitled action. That he has read the foregoing answer and is acquainted with the facts therein stated; that said answer and the matters therein stated are true to the knowledge of deponent, except as to those matters stated on information and belief, and as to those matters he believes it to be true.

ISIDOR STRAUS.

Affirmed to before me this third day of August, 1904.

ALEX. L. STROUSE,
[L. S.] *Notary Public,*
New York County.

Stipulation of Facts.

United States Circuit Court, Southern District of New York.

THE BOBBS-MERRILL COMPANY, Complainant,
against
ISIDOR STRAUS and NATHAN STRAUS, co-partners doing business under the firm name of R. H. Macy & Company, Defendants.

It is stipulated for the purposes of this suit that the following matters are true and may be taken as duly proved by either

party upon the final hearing and in any subsequent proceedings herein:

First: That during the year 1900 a large number of publishers in the State of New York and throughout the States of the United States entered into an agreement for the purpose of maintaining the net retail price of copyrighted books published by any of them as designated by the publisher of each book and to prevent the sale at retail of any such copyrighted books by any dealer at retail at less than said fixed net retail price. That pursuant to that agreement a membership corporation was formed under the laws of the State of New York under the name of the American Publishers' Association, which included amongst its members the complainant herein and a large majority of the publishers of all books, copyrighted or uncopyrighted in the State of New York and throughout the United States.

Second: That immediately after the incorporation of said American Publishers' Association a resolution was adopted and its members entered into agreements with each other and with the American Publishers' Association, a copy of which is as follows:

EXHIBIT A.

The American Publishers' Association,
156 Fifth Avenue,
New York.

The following plan to correct some of the evils connected with the cutting of prices on copyright books was adopted at the meeting of the American Publishers' Association held February 13, 1901:

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the Association agree that such net copyrighted books and all other of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year, and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name

has been given to them by the Association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

IV. That the only exception to the rule of maintaining the retail price shall be in the case of libraries, which may be allowed a discount of not more than 10 per cent.

Libraries entitled to this discount may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount.

V. That the Association suggests a discount on net copyrighted books of twenty-five per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VI. That after the expiration of a year from the publication of any such net copyrighted book, dealers shall not be held to the above restrictions and may sell such book at a cut price, but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VII. That when the publisher sells at retail a book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

VIII. That for the purpose of carrying out the above plan the Directors of the Association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the Association, jobbers and the trade, of any persons violating the above provisions.

IX. That it shall be the duty of all Members of the Association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

X. That the Association, through its agents and members, aid in the formation of booksellers' associations in the important centers and cities in the United States, the object of which association shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important center or section of the country. That the Association pledge itself to support such local associations by every means in its power in main-

taining such lawful rules and regulations as may in this way be agreed to.

XI. That the report, when adopted by the Board of Directors, be submitted to the Association and voted upon in accordance with the Associations' Rules, Article II, Section 1.

Third: That thereafter a voluntary association called the American Booksellers' Association was formed which was intended to and did include a large majority, to wit, about 90 per cent., both in number and extent of business of all wholesale and retail book dealers throughout the State of New York and the United States. That the avowed purpose of this association was to co-operate with and assist the American Publishers' Association and its members in the maintenance of the so-called net price or restricted price system for the sale of books at retail, and to supply the American Publishers' Association with the names of booksellers who cut the prices of net price or restricted books at retail, and to refrain from selling such price-cutters or any individuals, firms or dealers believed to be price-cutters, any books of any kind, whether copyrighted or uncopyrighted, at wholesale or at retail prices. That said American Booksellers' Association thereafter at its annual convention in June, 1901, adopted the following resolution:

EXHIBIT B.

Reform Resolution No. 1.

Whereas, the American Publishers' Association has adopted a net price system and entered into an agreement for its maintenance, by which the members of said Association will cut off the supply of all of their books, net, copyrighted or otherwise, to any dealer who fails to maintain the net price of any or all books published under the net price system:

1. Now, therefore, be it resolved, That this, the American Booksellers' Association, in convention assembled, accept the said net price system, with the distinct understanding that it is the intention of the American Publishers' Association to include fiction under the net price system as rapidly as possible; and

2. Furthermore, be it resolved, That all members of the American Booksellers' Association shall give to each of the members of the American Publishers' Association, and to all publishers who co-operate with them in the maintenance of the net price system, our most cordial support; and that to this end we agree not to buy, not to keep in stock, nor to offer for sale, after due notifica-

tion, the books of any publisher who declines to support the net price system.

3. Furthermore, be it resolved, That we instruct our secretary promptly to notify all members of this Association that this resolution is applicable and in force with reference to any publisher who shall have made it manifest that he is unwilling to co-operate with this Association, and with the members of the Publishers' Association, in the maintenance of the net price system.

4. Furthermore, be it resolved, That this resolution, on being ratified by two-thirds of the members of this Association, voting by formal ballot, shall immediately become a law to each and all of the members of this Association; and if it shall appear upon the presentment of any three members of this Association that a member has purchased, put in stock, or offered for sale, the books of a publisher who has been formally denounced, such member shall be expelled from membership in this Association, and all members of this Association shall then and thereafter be restrained from supplying any books to such expelled member at a discount from the usual retail price.

5. Furthermore, be it resolved, That all members of this Association shall be restrained from furnishing any books, at less than the net or usual retail price, to any dealer who shall have been denounced by the Publishers' Association for cutting the price of net books, or for otherwise violating the net price system, and who shall have been therefor cut off by the members of the Publishers' Association from the supply of their books.

6. Furthermore, be it resolved, That all members of this Association shall endeavor to keep in stock and push the sale of net books so long as they are reasonably in demand, provided such discount is allowed by the publishers to the dealers as will yield them a living profit; and they shall maintain the net prices of the same in accordance with the terms of the publishers' agreement for the maintenance of the net price system.

I or we vote for the adoption of Reform Resolution No. 1 as above stated.

(Signed) Name.....

Address.....

Fourth. That thereafter and in pursuance of said agreements neither of said associations nor any of the members thereof, including the complainant, would sell or supply or sanction the sale or supply of any books at any price to any dealer in the State of New York or elsewhere in the United States, whether a member of said associations or not, and whether said books were copyrighted or not, or were published by any of the members of the said American Publishers' Association or not who did not maintain the arbitrary net retail price on copyrighted books published by the members of the American Publishers' Association or would resell or was believed to resell such copy-

righted books to any dealers who thereafter sold the same at less than the arbitrary price named by the publisher and maintained pursuant to the rules and agreements of the two associations and their members.

Fifth. That on or about the 8th day of January, 1902, the plan, resolutions or agreements of the American Publishers' Association was amended by the addition thereto of the article relating to a certain discount to be allowed from the published price of works of fiction (not net) published by members of the said association and a change in Article 4 relating to discounts to be allowed to libraries, and in Article 6; and the omission of Article 11 of the original plan, a copy of said resolutions with the said amended articles, indicated by italics, is annexed and marked "Exhibit C." Thereafter on the 27th day of May, 1902, the said plan, resolutions or agreements were further amended by the addition to Article 4 thereof of a paragraph relating to the sending of a work of fiction postpaid, a copy of which said resolutions as so amended is hereto annexed marked "Exhibit D." That thereafter and on the 15th day of January, 1903, the said plans, resolutions and agreements were amended by the addition to Article 3 of a paragraph relating to the sale of protected books in combination with a periodical, and in Article 12 a paragraph was added relating to an agreement to be entered into by all purchasers of books from the members of the Publishers' Association, a copy of said resolutions as amended is annexed hereto and marked "Exhibit E." That thereafter and on or about the 13th day of February, 1903, the said plans, resolutions or agreements were again amended as to Articles 1 and 4 so as to provide for the exclusion at the option of a publisher of certain copyrighted juvenile books from the class of so-called net publications, and the inclusion of such books in the class of copyrighted works of fiction not net. Article 5 was likewise amended so as to grant libraries a discount on certain juvenile books (not net), a copy of which resolutions or agreements as amended is hereto annexed and marked "Exhibit F." That thereafter on the 13th day of January, 1904, the said resolutions or agreements were amended as to Articles 1 and 5, so as to apply to all juvenile books, and Article 4 thereof was so amended as to provide for the publication and sale of all juvenile books (not net) under the system applying to the publication and sale of copyrighted works of fiction, a copy of which said resolutions or agreements as so amended is hereto annexed and marked "Exhibit G."

It is stipulated that the foregoing descriptions of the various changes and resolutions shall not be binding upon either of the parties hereto as being a correct interpretation of the changes made, but that the true and correct meaning of each exhibit or of any amendment thereto shall be taken from the exhibit itself and not from the foregoing description.

EXHIBIT C.

The American Publishers' Association,
156 Fifth Avenue,
New York.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association held February 13, 1901; amendments referring to fiction were adopted at a meeting held February 8, 1902:

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade.

II. It is recommended that the retail price of a net book, market net, be printed on a paper wrapper covering the book.

III. That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

IV. *That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to the protection of fiction to this extent.*

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

V. *The only exceptions to the foregoing rules shall be in the case of libraries which may be allowed a discount of not more than 10 per cent. on net books and 33 1-3 per cent. on fiction.*

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction.

VI. That the association suggests a discount on net copyrighted books of twenty-five per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII. That after the expiration of a year from the publication of *any copyrighted* books *issued under these regulations*, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association, jobbers and the trade, of any persons violating the above provisions.

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI. That the association, through its agents and members, aid in the formation of booksellers' associations in the important centers and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important center or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

EXHIBIT D.

The American Publishers' Association,
156 Fifth Avenue,
New York.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the

American Publishers' Association held February 13, 1901; amendments referring to fiction were adopted at meetings held January 8, 1902, and May 27, 1902:

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

IV. That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to the protection of fiction to this extent.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

When a work of fiction published under this rule is sent postpaid the price to the purchaser shall be not less than the minimum price plus the postage.

V. The only exceptions to the foregoing rules shall be in the case of libraries, which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction.

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction.

VI. That the association suggests a discount on net copyrighted books of 25 per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII. That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be resold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association, jobbers, and the trade, of any persons violating the above provisions.

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI. That the association, through its agents and members, aid in the formation of booksellers' associations in the important centers and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important center or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

EXHIBIT E.

The American Publishers' Association,
156 Fifth Avenue,
New York.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association held February 13, 1901; amendments referring to fiction were adopted at meeting held January 15, 1903:

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their books to any one who offers, protected books in combination with a periodical at less than the trade subscription price of such periodical, plus the net or minimum retail price of the book.

IV. That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to the protection of fiction to this extent.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

When a work of fiction published under this rule is sent postpaid the price to the purchaser shall be not less than the minimum price plus the postage.

V. The only exceptions to the foregoing rules shall be in the case of libraries, which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction.

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription.

Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction.

VI. That the association suggests a discount on net copyrighted books of 25 per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII. That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the Board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association, jobbers and the trade, of any persons violating the above provisions.

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI. That the association, through its agents and members, aid in the formation of booksellers' associations in the important centers and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important center or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XII. That in making sales and contracts of sales of their books involving future delivery, members shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association.

EXHIBIT F.

The American Publishers' Association,
156 Fifth Avenue,
New York.

Plan as Amended to March 4th, 1903.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association held February 13, 1901; amendments referring to fiction, juveniles and other matters were adopted at later meetings.

Special attention is called to changes in the following Sections: 1, 3 (last paragraph), 4, 5 and 12.

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices which it is recommended shall be reduced from the prices at which similar books have been issued heretofore; provided however that there shall be exempt from this agreement all school books, books published by subscription and not through the trade, such other books as are not sold through the trade; also at the desire of the individual publisher, any new editions, any work of fiction (not juveniles) or any juveniles of the class that may be described as board books, flat picture books or toy books.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their books to anyone who offers, protected books in combination with a periodical at less than the trade subscription price of such periodical plus the NET or minimum retail price of the book.

IV. That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, and on all juvenile board books, flat picture books, or toy books, (not net) published after March 1st,

1903, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to this extent to the protection of fiction and juvenile books published on the same basis as fiction.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

V. The only exceptions to the foregoing rules shall be in the case of libraries which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction, and juvenile board books, flat picture books or toy books, (not net).

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction.

VI. That the association suggests a discount on net copyrighted books of twenty-five per cent. to dealers as a general discount, leaving the question of discount however entirely to the individual publisher.

VII. That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealer's hands they must be so re-sold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the City in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board, the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association, jobbers, and the trade, of any persons violating the above provisions.

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI. That the association through its agents and members aid in the formation of booksellers' associations in the important centres and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish

such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important centre or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XII. That in making sales and contracts of sales of their books involving future delivery members shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association.

Dated March, 1903.

EXHIBIT G.

The American Publishers' Association,
156 Fifth Avenue,
New York.

Plan as amended to January 14th, 1904.

The following plan to correct evils connected with the cuttings of prices on copyright books was adopted at a meeting of the American Publishers' Association held February 13, 1901; amendments referring to fiction, juveniles and other matters were adopted at later meetings.

Special attention is called to changes in the following Sections: 1, 3 (last paragraph), 4, 5 and 12.

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices which it is recommended shall be reduced from the prices at which similar books have been issued heretofore; provided however that there shall be exempt from this agreement all school books, books published by subscription and not through the trade, such other books as are not sold through the trade; also at the desire of the individual publisher, any new editions, any work of fiction or any juvenile.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their books to anyone who offers, protected books in combination with a periodical at less than the trade subscription price of such periodical plus the NET or minimum retail price of the book.

IV. That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, and on all juvenile books (not net), published after April 1st, 1904, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to this extent to the protection of fiction and juvenile books published on the same basis as fiction.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold, but only to name a maximum discount which, however, it is hoped will rarely be given.

V. The only exceptions to the foregoing rules shall be in the cases of libraries which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction, and juvenile books (not net).

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discounts on net books, nor to any special discount on fiction or juvenile books.

VI. That the association suggests a discount on net copyrighted books of twenty-five per cent. to dealers as a general discount, leaving the question of discount however entirely to the individual publisher.

VII. That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so re-sold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board, the manager shall in-

vestigate all cases of cutting reported and when directed shall send out notices to the association, jobbers, and the trade, of any persons violating the above provisions.

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

cutting of prices which may come to their knowledge.

XI. That the association through its agents and members aid in the formation of booksellers' associations in the important centres and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important centre or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XII. That in making sales and contracts of sales of their books involving future delivery members shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association.

Sixth. That thereafter and during the month of February, 1904, in an action brought in the Supreme Court of the State of New York, it being a court of competent jurisdiction, wherein the defendants in this action were plaintiffs and the American Publishers' Association and the American Booksellers' Association and such of their respective members as were within the jurisdiction of the said court were made parties defendant the New York Court of Appeals, being the highest Appellate Court in the said State rendered its decision that the combinations and agreements described in Paragraphs First, Second, Third and Fifth of this stipulation were unlawful and void and contrary to the statute, law and public policy of the State of New York and more especially of the statute law of said State known as Chapter 690 of the Laws of 1899 which said law, for the purposes of this stipulation, is made part of the record.

The prevailing opinion of the Court to which reference is hereby made for the true construction of said decision, reported 177 N. Y., 473, is as follows:

Isidore Straus *et al.*, Composing the Firm of R. H. Macy & Company, Respondents v. American Publishers' Association *et al.*, Appellants.

Monopolies—An Agreement Which in Effect Prevents the Sale of Uncopyrighted Books in the State Is Illegal under the Anti-Monopoly Act (L. 1899, Ch. 690). An agreement between publishers representing ninety-five per cent. of the books published in the United States, and ninety per cent. of the business done in the book trade, that all copyrighted books published by any of them after a specified date should be published and sold at retail at net prices—that such net copyrighted books and all other books, whether copyrighted or not, or whether published by them or not, should be sold by them to those booksellers and jobbers only who would maintain the retail net price of such net copyrighted books for one year, and to those booksellers and jobbers only who would furthermore sell books at wholesale to no one known to them to cut or sell at a lower figure than such net retail price, or whose name would be given to them by the association as one who cut such prices—and that evidence shall not be required by the bookseller or jobber in order to restrain him from selling to one who has been blacklisted, but that all that shall be required to govern his action and to prevent him from selling to such persons shall be that the name has been given to him by the association as one who cuts such net prices—is an agreement, which, while purporting to secure to the owner and publisher of copyrighted books the monopoly permitted by Federal law, may, and as practically construed by the parties does operate in fact so as to prevent the sale of books of any kind or at any price to any dealer who resells, or is suspected of reselling, copyrighted books at less than the arbitrary net price, whether such dealer be a member of the association or not: such an agreement undertakes to interfere with the free pursuit in this state of a lawful business, in which a monopoly is not secured by the Federal statute, viz., that of dealing in books which are not protected by copyright; it is, therefore, in violation of chapter 690 of the Laws of 1899, enacted to prevent monopolies in articles or commodities of common use and to prohibit restraint of trade and commerce.

Straus v. *American Publishers' Assn.*, 85 App. Div., 446 affirmed.

(Argued January 19, 1904; decided February 23, 1904.)

Appeal, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered July 30, 1903, which reversed an interlocutory judgment of Special Term sustaining demurrer to the complaint.

Stephen H. Olin for appellants.

Thaddeus D. Kenneson for appellants.

John G. Carlisle and *Edmond E. Wise* for respondents.

Parker, Ch. J. Chief Justice Marshall said long ago, in *Grant* v. *Raymond* (6 Pet. 217, 241): "To promote the progress of useful arts is the interest and policy of every enlightened government. It entered into the views of the framers of our Constitution, and the power 'to promote the progress of science and useful arts, by securing for limited times to authors and inventors, the exclusive right to their respective writings and discoveries,' is among those expressly given to Congress. * * * It is the reward stipulated for the advantages derived by the public from the exertions of the individual, and is intended as a stimulus to those exertions. The laws which are passed to give effect to this purpose ought, we think, to be construed in the spirit in which they have been made, and to execute the contract fairly on the part of the United States, where the full benefit has been actually received; if this can be done, without transcending the intention of the statute, or countenancing acts which are fraudulent or may prove mischievous. The public yields nothing which it has not agreed to yield; it receives all which it has contracted to receive. The full benefit of the discovery after its enjoyment by the discoverer for fourteen years is preserved and for his exclusive enjoyment of it during that time, the public faith is pledged."

That case and many others were considered recently by the United States Supreme Court in *Bement* v. *National Harrow Co.* (186 U. S. 70), Mr. Justice Peckham writing. After an examination of the cases which may be said to restrict the exceptions which grow out of a proper exercise of the police power of the State—of which *Patterson* v. *Kentucky* (97 U. S. 501) is an illustration—he sa 186 U. S. 91): "Notwithstanding these exceptions, the genera ule is absolute freedom in the use or sale of rights under the patent laws of the United States. The very object of these laws is monopoly, and the rule is, with few exceptions, that any conditions which are not in their very nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the article, will be upheld by the Courts. The fact that the conditions in the contracts keep up the monopoly or fix prices does not render them illegal."

That reasoning is employed as to patent rights. It is equally applicable to copyrights, the protection of which was perhaps the leading object of the association and agreement attacked in this action. And it points to the principle underlying the decision in the *Park & Sons Co. Case* (175 N. Y. 1), upon which defendants aparently rest their claim that the judgment of the Appellate Division should be reversed. But there is a feature in this case not to be found in that one, and which requires a different judgment than the one rendered therein—which will now be pointed out.

While the leading object of this association and agreement

purports to be to secure to the owner and publisher of copyrighted books that protection which the Federal Government permits them to enjoy for the reasons stated by Chief Justice Marshall (*supra*), it does not stop there. It also affects the right of a dealer to sell books *not* copyrighted at the price he chooses, or to sell at all, if he fails to comply with the rules of the association. A combination creating a monopoly of the sale of books *not* protected by copyright offends against the law of this State as much as if it related to bluestone (164 N. Y. 401) or to envelopes (166 N. Y. 292), and according to this complaint, which must be accepted as true on this review, such an outcome is not only possible but probable. But it is not of moment whether such a result is probable or not, for the test to be applied is, What *may* be done under the agreement?

Reference to the complaint makes it clear that the association has undertaken to provide for the practical exclusion from the business of selling books *not* protected by copyright all who refuse to be bound by the rules of the association. And it appears from the complaint that the practical construction given to this agreement by those operating together under it is that if a dealer is *suspected* of selling copyrighted books at less than the arbitrary net price it is quite sufficient to exclude him from selling books altogether. The agreement nowhere suggests that it is the object of the association to control the sale of books not protected by copyright. Indeed, the object of the association *seems* to be merely to protect the copyrighted books. But while the other part of the scheme is apparently sought to be hidden, it is after all uncovered by the clauses authorizing the exclusion of any members of the association, or those who refuse to be bound by its rules, from selling books of *any* description.

The 15th paragraph of the complaint alleges "That during the year 1900 a number of prominent publishers, including defendants, hereinbefore described as publishers (for the purpose of securing to themselves an unreasonable and extortionate profit and at the same time with intent to prevent competition in the sale of books and for the purpose of establishing and maintaining the *prices of all books published* by them, or any of them, and *all books dealt in by them*, or any of them, and preventing competition in the sale thereof, unlawfully, illegally and contrary to the public policy and the statutes of the State of New York * * * combined and associated themselves together," etc. The 16th paragraph refers to the method of organization, and the fact of the adoption of a resolution, and an agreement to carry out their object; while the 17th states the nature of the agreement as follows: "That as a part of said unlawful scheme and combination the members of said association agreed that such net copyrighted books, *and all other books, whether copyrighted or not*, or whether published by them or not, should be sold by them to those booksellers only who would maintain the retail net price of such net copyrighted books for one year, and

to those booksellers and jobbers only who would furthermore sell books [the word "copyrighted" is omitted at this point] at wholesale to no *one known to them to cut* or sell at a lower figure than such net retail price, *or whose name would be given to them by the association as one who cut such prices.*"

It will be seen that while the leading object of this portion of the agreement apparently is to maintain the retail net price of copyrighted books it operates in fact so as to prevent the sale of books to dealers who sell books of *any* kind to one who retails copyrighted books at less than the net retail price.

And the agreement further provides that evidence shall not be required by the bookseller or jobber in order to restrain him from selling to one who has been blacklisted, but that all that shall be required to govern his action, and to prevent him from selling to such a person, shall be that the name has been given to him by the association as one who cuts such net prices. It has been admitted, and must be, that the agreement may be so worked out as to deprive a dealer from selling any books whatever, thus breaking up his business.

But, it is said, that is only intended as a punishment for one who refuses to be bound by the wishes of the owner of the copyrighted book as to its selling price; in other words, that the association inflicts upon him the penalty of a destruction of his business, because of his refusal to abide by the rules of the association. It is of course of no consequence how this course of action may be described by those who invented it, for if it be the fact that the combination which agrees to exclude others from an unprotected business violates the statute, then it matters not what excuse may be offered for it. It is the excuse, not the statute, which must give way.

The 18th paragraph of the complaint contains what purports to be a practical construction given to this agreement by the members of the association. It states: "That, in pursuance of said unlawful combination and agreement, said American Booksellers' Association and its members have continuously co-operated with and assisted the American Publishers' Association and the members thereof in establishing and maintaining prices of such books, and preventing competition in the supply and sale of the same, and still continues so to do; and plaintiffs say that in compliance with said agreement neither said associations nor any of the members thereof *will sell or supply books at any price to any dealer*, whether a member of said association or not, and whether *such books are copyrighted or not*, or are not published by said American Book Publishers' Association or its members, *who resells, or is suspected of reselling*, such copyrighted books at less than the arbitrary net price fixed by said unlawful combination, nor will the said association nor any of their members sell or supply *any books whatever to any one who resells, or is suspected of reselling*, such copyrighted books to

any dealer who thereafter sells the same at less than such arbitrary net price."

Here then we have a practical construction of the agreement —one put upon it by the parties to it—and it is such a construction as the language employed calls for. And it discloses that the parties who are acting under the agreement assume it to be their right and their duty by virtue of it not to sell or permit to be sold books of any kind or at any price to any dealer "who resells or is suspected of reselling copyrighted books at less than the arbitrary net price," whether such dealer be a member of the association or not.

The intended effect of this is to prevent any dealer who is even suspected of reselling copyrighted books at less than the net price from obtaining books at any price or on any terms, whether copyrighted or not. And it does not stop there, for the members of the association agree not to supply him *any* books at *any* price, whether he resells copyrighted books or not at less than the arbitrary net price, provided he is suspected of selling to any dealer who thereafter sells the same at less than such arbitrary net price. And this means—inasmuch as the members represent 95 per cent. of the publishers and 90 per cent. of the business done in the book trade—that he may be practically driven out of the business if any one chooses to suspect that a dealer to whom he has sold books has resold them at less than the price fixed.

The members of the association, therefore, have entered into an agreement which by its terms—as we read it, and as they have construed it in their every-day working under it—undertakes to interfere with the free pursuit in this State of a lawful business in which any member of the community has a right to engage, a business in which a monopoly is not secured by the Federal statutes, namely, that of dealing in books which are not protected by copyrights; and hence it is in violation of Chapter 690, Laws of 1899, which provides: "Every contract, agreement, arrangement or combination whereby a monopoly in the manufacture, production or sale in this State of any article or commodity of common use is or may be created, established or maintained, or whereby competition in this State in the supply or price of any such article or commodity is or may be restrained or prevented, or whereby for the purpose of creating, establishing or maintaining a monopoly within this State of the manufacture, production or sale of any such article or commodity, the free pursuit in this State of any lawful business, trade or occupation is or may be restricted or prevented, is hereby declared to be against public policy, illegal and void."

The order should be affirmed, with costs.

Haight, Martin, Vann and Werner, JJ., concur with Parker, Ch. J.; Gray and Barrett JJ., read dissenting opinions.

Order affirmed.

That the judgment upon this decision was duly adopted by the New York Supreme Court and entered on its records.

Seventh: That thereafter and on or about the 13th day of March, 1904, the said resolutions or agreements were amended as to Article 3 so as to cover copyrighted books only, and so as to provide for the placing of the seller's name on the cut-off list of the association only under certain changed conditions, a copy of such resolutions as amended with the words stricken out by said amendment indicated by brackets, and the words thereby added in italics are hereto annexed and marked "Exhibit H."

EXHIBIT H.
The American Publishers' Association,
156 Fifth Avenue,
New York.

Plan as amended to April 1st, 1904.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association held February 13, 1901; amendments referring to fiction, juveniles and other matters were adopted at later meetings:

Special attention is called to changes in the following Sections: 1, 3, 4, 5, 9 and 12.

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, books published by subscription and not through the trade, such other books as are not sold through the trade; also at the desire of the individual publisher, any new editions, any work of fiction or any juvenile.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the association agree that [such net] copyrighted books [and all others of their books] shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year, and to those booksellers and jobbers only who will sell their *copyrighted* books *except at retail* [further] to no one *who* [known to them to] cuts such net prices [or whose name has been given to them by the Association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.]

A dealer or bookseller may be defined as one who makes it a

regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their *copyrighted* books to any one who offers, protected books in combination with a periodical at less than the trade subscription price of such periodical plus the net or minimum retail price of the book.

IV. That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, and on all juvenile books (not net) published after April 1st, 1904, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to this extent to the protection of copyrighted fiction and copyrighted juvenile books published on the same basis as fiction.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

V. The only exceptions to the foregoing rules shall be in cases of libraries, which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction and juvenile books (not net).

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction or juvenile books.

VI. That the association suggests a discount on net copyrighted books of 25 per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII. That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions, and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board, the manager shall investigate all cases of cutting reported, and when directed shall

send out notices to the association, jobbers and the trade, of any persons violating the above provisions, *after giving the person accused of such violation an opportunity to explain his action.*

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI. That the association, through its agents and members, aid in the formation of booksellers' associations in the important centers and cities in the United States, the object of which associations shall be to assist the publishers' association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important center or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XII. That in making sales and contracts of sales of their books involving future delivery members shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association.

That thereafter the American Booksellers' Association passed a so-called Reform Resolution No. 2 in April, 1904, which said resolution is as follows:

EXHIBIT I.

Reform Resolution No. 2.

Whereas, the American Publishers' Association has adopted a net price system and entered into an agreement for its maintenance, by which the members of said Association will cut off the supply of all their *copyrighted* books to any dealer who fails to maintain the *net price* of any or all *copyrighted* books published under the net price system.

1. Now, therefore, be it resolved, That this, the American Booksellers' Association, in convention assembled, accept the said net price system, with the distinct understanding that it is the intention of the American Publishers' Association to include copyrighted fiction under the net price system as rapidly as possible; and

2. Furthermore, be it resolved, That all members of the American Booksellers' Association shall give to each of the members of the American Publishers' Association, and to all publishers who

co-operate with them in the maintenance of the net price system, our most cordial support; and that to this end we agree not to buy, not to keep in stock, nor to offer for sale, after due notification, the *copyrighted* books of any publisher who declines to support the net price system.

3. Furthermore, be it resolved, That we instruct our secretary promptly to notify all members of this association that this resolution is applicable and in force with reference to any publisher who shall have made it manifest that he is unwilling to cooperate with this association, and with the members of the Publishers' Association, in the maintenance of the net price system.

4. Furthermore, be it resolved, That this resolution, on being ratified by two-thirds of the members of this association, voting by formal ballot, shall immediately become a law to each and all of the members of this association; and if it shall appear upon the presentment of any three members of this association that a member has purchased, put in stock, or offered for sale, the *copyrighted* books of a publisher who has been formally denounced, such member shall be expelled from membership in this association, and all members of this association shall then and thereafter be restrained from supplying any *copyrighted* books to such expelled member at a discount from the usual retail price.

5. Furthermore, be it resolved, That all members of this association shall be restrained from furnishing any *copyrighted* books, at less than the net or usual retail price, to any dealer who shall have been denounced by the Publishers' Association for cutting the price of net *copyrighted* books, or for otherwise violating the net price system, and who shall have been therefor cut off by the members of the Publishers' Association from the supply of their *copyrighted* books.

6. Furthermore, be it resolved, That all members of this association shall endeavor to keep in stock and push the sale of net *copyrighted* books so long as they are reasonably in demand, provided such discount is allowed by the publishers to the dealers as will yield them a living profit; and they shall maintain the net prices of the same in accordance with the terms of the publishers' agreement for the maintenance of the net price system.

I or we hereby vote to rescind Reform Resolution No. 1 and to adopt Reform Resolution No. 2.

(Signed) Name.....

Address.....

Dated March 10, 1904.

Eighth. That since May, 1901, the date that the first resolutions and agreements of the American Publishers' Association and the American Booksellers' Association and their respective members went into effect, and until April, 1904, a large majority of all the publishers, in numbers and extent of business,

including the complainant herein, and a large majority of all the booksellers throughout the United States, consisting of about 90 per cent. both in numbers and in extent of business, have obeyed the rules and regulations of the two associations as from time to time amended, they and each of them refused to sell or sanction the sale of any books of any kind, whether copyrighted or uncopyrighted, whether published by any member of the American Publishers' Association or not, to any dealer throughout the United States who did not maintain at retail the net or restricted price at which each copyrighted book was published under the net price or restricted price system, nor would they sell nor sanction the sale of any books of any kind to any one who was known or believed to sell such net or restricted copyrighted books at retail at less than the net or restricted price, nor would sell or sanction the sale of any books of any kind to any one who sold books of any kind to a price-cutter on copyrighted books, or who was known or believed to supply a price-cutter with any books of any kind, and that when any dealer or person sold any net price books or restricted price books at less than the net or restricted price, or any jobber or wholesaler supplied a price-cutter with any books of any kind, or was known or believed to so supply him, the two associations circulated and published notices warning all persons in the trade whether members of either of such associations or not, that the book supply of such persons had been cut off pursuant to the rules of the two associations.

Ninth. That since April, 1904, any dealer who does not maintain the net or restricted price at retail of any copyrighted book published by any member of the publishers' association under the net price or restricted price system, cannot purchase any copyrighted books of any kind from any of the members of either of the associations at less than the retail price, whether such copyrighted book is published by any of the members of the associations or not, and whether such copyrighted book was published under the net price system or not, or prior thereto.

Tenth. That the defendants were placed on the cut-off list in May, 1901, because they refused to maintain the net retail price of $1.40 on the copyrighted book "Tarry Thou Till I Come," published by Funk & Wagnalls, but uniformly sold the same at retail at $1.24, and that since said time their name has been circulated monthly upon the list of dealers whose supplies have been cut off under the rules of the two associations, and against whom the trade at large was warned as price-cutters and as coming under the rules of the two associations as dealers to whom books should not be sold, and furthermore, that books should not be sold to anyone who in turn was known or believed to resell the same to these defendants. That since March, 1904, the rules have been amended and relaxed as above set forth so as to permit dealings with the defendants in uncopyrighted books

only. That as to all copyrighted books of any and all kinds, the members of said associations are not permitted under the rules to sell to the defendants nor to sell to anyone who resells or is believed to resell to the defendants, and that the cut-off or blacklists have been published against these defendants and against such other dealers as have been cut off from their supply of books, copyrighted or otherwise, without any interruption or intermission from the time they were first included in the list of dealers whose supplies were cut off, until the present time, without any change in the method employed prior to the passage of the last amendment, which eliminated uncopyrighted books from the rules.

Eleventh. That such combination and agreement as hereinbefore described are now in force and that it is intended by the members of the two associations, and the two associations to continue them in force.

Twelfth. That the complainant was, since May, 1901, a member of the American Publishers' Association and a party to all the agreements of said association hereinbefore set forth, and obeyed and lived up to all the rules and regulations of the American Publishers' Association hereinbefore set forth and published all its books, including "The Castaway," in accordance with the rules and regulations of the association above set forth.

Thirteenth. That the members of the said two associations, including the complainant herein, do now and at all the times herein mentioned have resided and carried on their business of selling books, in many different States, and that in the conduct of their respective business as publishers, wholesale and retail dealers in books, the members of the said two associations, including the complainant, were and now are engaged in the business of purchasing books, copyrighted and uncopyrighted, from each other and from other persons, in many States other than the States in which the purchasers resided, or now reside, and do business. And all such books were and have been transported in compliance with the contract of purchase, from the State where such books were purchased to the purchaser and delivered to the purchaser in the State he resided, or now resides, in and conducts his business, and members of both of such associations, including the complainant herein, also sell and have sold books to many persons who are not members of the said associations, in States other than the ones in which the sellers reside and conduct their business, and all such books were and have been transported in compliance with the contract of purchase, from one State to another and then delivered to the purchaser and that all the rules, regulations and agreements made by the said two associations and its members, including the complainant, as hereinbefore set forth, were intended to be applied and be enforced, and have been and are now applied to and

enforced against all publishers and dealers in books throughout all the States of the United States, whether such publishers and dealers were or were not members of either of such associations, and whether they purchased books in one State for transportation and delivery in another or for delivery in the State where purchased.

Fourteenth. That the members of the said two associations, including the complainant herein, have heretofore produced, distributed and sold, and still produce, distribute and sell the majority of all books purchased and dealt in throughout the State of New York and of all other States and Territories of the United States.

BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant.
SPIEGELBERG & WISE,
Solicitors for Defendants.

UNITED STATES CIRCUIT COURT,

SOUTHERN DISTRICT OF NEW YORK.

THE BOBBS-MERRILL COMPANY,
Complainant,

v.

ISIDOR STRAUS and NATHAN STRAUS, copartners under the firm name of R. H. Macy & Co.,
Defendants.

Suit in equity to enjoin the sale at retail of books containing a copyright novel "The Castaway," at a price less than one dollar for each copy of the book. Such sales of such book are alleged to be in violation of the terms of a notice printed in each copy thereof upon the page immediately following the title page and immediately below the statutory copyright notice.

Defendants insist that the books containing such novel having been lawfully printed for sale to the general public, and to be read by the general public and put upon the market and sold; that the right of the owners of such books to sell same at such price as they, severally, may see fit to ask, cannot be and is not limited or affected by the notice. They also insist that this suit is to enforce an unlawful combination and agreement and press other defenses.

BOARDMAN, PLATT & SOLEY, with W. H. H. MILLER, ALBERT B. BOARDMAN and HENRY W. CLARK, of Counsel, for Complainant.

SPIEGELBERG & WISE, with JOHN G. CARLISLE and EDMOND E. WISE, of Counsel, for Defendants.

RAY, District Judge:

The main facts in this case are not disputed. They may be stated as follows:

1. The Bobbs-Merrill Company, the complainant, is and at all times mentioned in the bill of complaint was a corporation duly organized and existing under the laws of the State of Indiana, engaged in the business of publishing and selling books, and having its principal office in the City of Indianapolis, in the State of Indiana.

2. The complainant is and at all times mentioned in the bill of complaint was the owner and proprietor of a book or novel in one volume entitled, "The Castaway," written by Hallie Erminie Rives.

3. The allegations contained in paragraphs of the bill of complaint, number "III." to "VI.," inclusive, relating to the complainant's compliance with the copyright laws of the United States are true.

Such paragraphs read as follows:

"III.—That your orator is the proprietor of a copyright book or novel in one volume, entitled and known as "The Castaway." That the author of said book was Hallie Erminie Rives. That prior to the publication of said book and prior to the month of May, 1904, the author thereof, said Hallie Erminie Rives, duly sold, assigned and transferred to your orator all her right, title, interest and property in and to said book, and your orator thereupon became and at all times since said sale has been and still is the sole and exclusive proprietor and owner thereof.

IV.—That your orator, being then proprietor of said book as aforesaid and desiring to secure a copyright thereof, before the day of publication of said book, duly deposited in the mail within the United States, to wit, in the City of Indianapolis, in the State of Indiana, addressed to the Librarian of Congress, at Washington, District of Columbia, a printed copy of the title of said book and duly paid to said Librarian of Congress the fees required by law, to

wit, fifty cents, for recording said title, and your orator did also not later than the day of publication of said book in this or any other foreign country, to wit, on the 24th day of May, 1904, deposit in the mail within the United States, to wit, in the City of Indianapolis, in the State of Indiana, addressed to the Librarian of Congress, at Washington, District of Columbia, two copies of said book printed from type set within the limits of the United States.

V.—Your orator is informed and verily believes, and, therefore, avers, that the Librarian of Congress on the 18th day of May, 1904, duly recorded the name and title of said copyright book in pursuance of the statute in such case made and provided.

VI.—That your orator has given due notice and information of its said copyright by inserting and printing in each and every copy of said book published upon the page immediately following the title thereof, the words and figures: 'Copyright 1904. The Bobbs-Merrill Company. May .'"

4. No copies of "The Castaway" were sold or otherwise issued prior to securing the copyright thereon.

5. Each and every copy of "The Castaway" printed, published or issued by complainant contained at the time of such publication and issue the following notice, printed upon the page of the book immediately following the title page, and just below the statutory copyright notice:

> "The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.
> THE BOBBS-MERRILL COMPANY."

6. The defendants in the course of their business procured copies of said book before the commencement of this suit for the purpose of sale at retail. The defendants purchased ninety per cent. of said copies from dealers at wholesale at a reduction from said specified retail price of about forty per cent., and ten per cent. of said copies they purchased at retail, paying the full retail price therefor.

7. Defendants at the time of their purchase of copies of said book knew that said book was a copyright book and were familiar with the terms of the notice printed in each copy thereof, as described in paragraph 5 of this statement, and knew that this notice was printed in every copy of said book purchased by them.

8. The wholesale dealers, from whom defendants purchased copies of said book, obtained the same either directly from the complainant or from other wholesale dealers at a discount from the net retail price, and at the time of their purchase knew that said book was a copyright book and were familiar with the terms of the notice printed in each copy thereof, as described in paragraph 5, of this statement, and such knowledge was in all wholesale dealers through whom the books passed from the complainant to defendants. But said wholesale dealers were under no agreement or obligation to enforce the observance of the term of said notice by retail dealers or to restrict their sales to retail dealers who would agree to observe said terms.

9. The defendants have sold copies of said book at retail at the uniform price of eighty-nine cents a copy, and are still selling, exposing for sale and offering copies of said book at retail at said price of eighty-nine cents per copy, without the consent of the complainant.

10. That during the year 1900 a large number of publishers in the State of New York and throughout the States of the United States entered into an agreement for the purpose of maintaining the net retail price of copyrighted book published by any of them as designated by the publisher of each book and to prevent the sale at retail of any such copyrighted books by any dealer at retail at less than said fixed net retail price. That pursuant to that

agreement a membership corporation was formed under the laws of the State of New York under the name of the American Publishers' Association, which included amongst its members the complainant herein and a large majority of the publishers of all books, copyrighted or uncopyrighted in the State of New York and throughout the United States.

11. That immediately after the incorporation of said American Publishers' Association a resolution was adopted and its members entered into agreements with each other and with the American Publishers' Association, a copy of which is as follows:

Exhibit A.

THE AMERICAN PUBLISHERS' ASSOCIATION.

156 FIFTH AVENUE, NEW YORK.

The following plan to correct some of the evils connected with the cutting of prices on copyright books was adopted at the meeting of the American Publishers' Association held February 13, 1901:

I.—That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore; provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade.

II.—It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III.—That the members of the Association agree that such net copyrighted books and all other of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year, and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such

net prices or whose name has been given to them by the Association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

IV.—That the only exception to the rule of maintaining the retail price shall be in the case of libraries, which may be allowed a discount of not more than 10 per cent.

Libraries entitled to this discount may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount.

V.—That the Association suggests a discount on net copyrighted books of twenty five per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VI.—That after the expiration of a year from the publication of any such net copyrighted book, dealers shall not be held to the above restrictions and may sell such book at a cut price, but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VII.—That when the publisher sells at retail a book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

VIII.—That for the purpose of carrying out the above plan the Directors of the Association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the Association, jobbers and the trade, of any persons violating the above provisions.

IX.—That it shall be the duty of all Members of the Association to report immediately to the said

office all causes of the cutting of prices which may come to their knowledge.

X.—That the Association, through its agents and members, aid in the formation of booksellers' associations in the important centers and cities in the United States, the object of which association shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important center or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XI.—That the report, when adopted by the Board of Directors, be submitted to the Association and voted upon in accordance with the Associations' Rules, Article II, Section 1."

12. That thereafter a voluntary association, called the American Booksellers' Association was formed which was intended to and did include a large majority, to wit, about 90 per cent, both in number and extent of business of all wholesale and retail book dealers throughout the State of New York and the United States. That the avowed purpose of this association was to co-operate with and assist the American Publishers' Association and its members in the maintenance of the so-called net price or restricted price system for the sale of books at retail, and to supply the American Publishers' Association with the names of booksellers who cut the prices of net price or restricted books at retail, and to refrain from selling such price-cutters or any individuals, firms or dealers believed to be price-cutters, any books of any kind, whether copyrighted or uncopyrighted, at wholesale or at retail prices. That said American Booksellers' Association thereafter at its annual convention in June, 1901, adopted the following resolution:

Exhibit B.

"REFORM RESOLUTION NO. 1.

"WHEREAS, the American Publishers' Association has adopted a net price system and entered into an agreement for its maintenance, by which the members of said Association will cut off the supply of all of their books, net, copyrighted or otherwise, to any dealer who fails to maintain the net price of any or all books published under the net price system:

1. Now, therefore, be it resolved, that this, the American Booksellers' Association, in convention assembled, accept the said net price system, with the distinct understanding that it is the intention of the American Publishers' Association to include fiction under the net price system as rapidly as possible; and

2. Furthermore, be it resolved, That all members of the American Booksellers' Association shall give to each of the members of the American Publishers' Association, and to all publishers who co-operate with them in the maintenance of the net price system our most cordial support; and that to this end we agree not to buy, not to keep in stock, nor to offer for sale, after due notification, the books of any publisher who declines to support the net price system.

3. Furthermore, be it resolved, That we instruct our secretary promptly to notify all members of this Association that this resolution is applicable and in force with reference to any publisher who shall have made it manifest that he is unwilling to co-operate with this Association, and with the members of the Publishers' Association, in the maintenance of the net price system.

4. Furthermore, be it resolved, That this resolution, on being ratified by two thirds of the members of this Association, voting by formal ballot, shall immediately become a law to each and all of the members of this Association; and if it shall appear upon the presentment of any three members of this Association that a member has purchased, put in stock, or offered for sale, the books of a publisher who has been formally denounced, such member shall be expelled from membership in this Association, and all members of this Association shall then and thereafter be restrained from supplying any

books to such expelled member at a discount from the usual retail price.

5. Furthermore, be it resolved, That all members of this Association shall be restrained from furnishing any books, at less than the net or usual retail price, to any dealer who shall have been denounced by the Publishers' Association for cutting the price of net books, or for otherwise violating the net price system, and who shall have been therefore cut off by the members of the Publishers' Association from the supply of their books.

6. Furthermore, be it resolved, That all members of this Association shall endeavor to keep in stock and push the sale of net books so long as they are reasonably in demand, provided such discount is allowed by the publishers to the dealers as will yield them a living profit; and they shall maintain the net prices of the same in accordance with the terms of the publishers' agreement for the maintenance of the net price system.

I or we vote for the adoption of Reform Resolution No. 1, as above stated.

(Signed)

Name.....

Address....."

13. That thereafter, and in pursuance of said agreements neither of said associations nor any of the members thereof, including the complainant, would sell or supply or sanction the sale or supply of any books at any price to any dealer in the State of New York or elsewhere in the United States, whether a member of said associations or not, and whether said books were copyrighted or not, or were published by any of the members of the said American Publishers' Association or not who did not maintain the arbitrary net retail price on copyrighted books published by the members of the American Publishers' Association or would resell or was believed to resell such copyrighted books to any dealers who thereafter sold the same at less than the arbitrary price named by the publisher and maintained pursuant to the rules and agreements of the two associations and their members.

14. That on or about the 8th day of January, 1902, the plan, resolutions or agreements of the American Publishers' Association was amended by the addition thereto of the article relating to a certain discount to be allowed from the published price of works of fiction (not net) published by members of the said association and a change in Article 4 relating to discounts to be allowed to libraries, and in Article 6; and the omission of Article 11 of the original plan, a copy of said resolutions with the said amended articles, indicated by italics, is marked "Exhibit C." Thereafter on the 27th day of May, 1902, the said plan, resolutions or agreements were further amended by the addition to Article 4 thereof of a paragraph relating to the sending of a work of fiction postpaid, a copy of which said resolutions as so amended is marked "Exhibit D." That thereafter and on the 15th day of January, 1903, the said plans, resolutions and agreements were amended by the addition to Article 3 of a paragraph relating to the sale of protected books in combination with a periodical, and in Article 12 a paragraph was added relating to an agreement to be entered into by all purchasers of books from the members of the Publishers' Association, a copy of said resolutions as amended is marked "Exhibit E." That thereafter and on or about the 13th day of February, 1903, the said plans, resolutions or agreements were again amended as to Articles 1 and 4, so as to provide for the exclusion at the option of a publisher of certain copyrighted juvenile books from the class of so called net publications, and the inclusion of such books in the class of copyrighted works of fiction not net. Article 5 was likewise amended so as to grant libraries a discount on certain juvenile books (not net), a copy of which resolutions or agreements as amended is marked "Exhibit F." That thereafter on the 13th day of January, 1904, the said resolutions or agreements were amended as to Articles 1 and 5, so as to apply to all juvenile books, and Article

4 thereof was so amended as to provide for the publication and sale of all juvenile books (not net) under the system applying to the publication and sale of copyrighted works of fiction, a copy of which said resolutions or agreements as so amended is marked "Exhibit G."

Exhibit C.

THE AMERICAN PUBLISHERS' ASSOCIATION,

156 FIFTH AVENUE, NEW YORK.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association held February 13, 1901; amendments referring to fiction were adopted at a meeting held February 8, 1902:

I.—That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade

II.—It is recommended that the retail price of a net book, market net, be printed on a paper wrapper covering the book.

III.—That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

IV.—*That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to the protection of fiction to this extent.*

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

V.—*The only exceptions to the foregoing rules shall be in the case of libraries which may be allowed a discount of not more than 10 per cent. on net books and 33 1/3 per cent. on fiction.*

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books nor to any special discount on fiction.

VI —That the association suggests a discount on net copyrighted books of twenty-five per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII.—That after the expiration of a year from the publication of *any copyrighted* books *issued under these regulations*, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VIII.—That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX.—That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association,

jobbers and the trade, of any persons violating the above provisions.

X.—That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI.—That the association, through its agents and members, aid in the formation of booksellers' associations in the important centers and cities in the United States, the object of which association shall be to assist the Publishers's Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important center or section of the country. That the association pledges itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

Exhibit D.

THE AMERICAN PUBLISHERS' ASSOCIATION,

156 FIFTH AVENUE, NEW YORK.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association, held February 13, 1901; amendments referring to fiction were adopted at meetings held January 8, 1902, and May 27, 1902:

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinbefore provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

IV. That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net book shall apply to the protection of fiction to this extent.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold, but only to name a maximum discount which, however, it is hoped will rarely be given.

When a work of fiction published under this rule is sent post paid the price to the purchaser shall be not less than the minimum price plus the postage.

V. The only exceptions to the foregoing rules shall be in the case of libraries, which may be allowed a discount of not more than 10 per cent. on net books and 33 1/3 per cent. on fiction.

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction.

VI. That the association suggests a discount on net copyrighted books of 25 per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII. That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the pub-

lisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be resold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association, jobbers and the trade of any persons violating the above provisions.

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI. That the association, through its agents and members, aid in the formation of booksellers' associations in the important centres and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important centre or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to."

Exhibit E.

THE AMERICAN PUBLISHERS' ASSOCIATION,

156 Fifth Avenue, New York.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Associa-

tion held February 13, 1901; amendments referring to fiction were adopted at meeting held January 15, 1903:

I.—That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, such works of fiction (not juveniles) and new editions as the individual publisher may desire, books published by subscription and not through the trade, and such other books as are not sold through the trade.

II —It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III.—That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their books to any one who offers, protected books in combination with a periodical at less than the trade subscription price of such periodical, plus the net or minimum retail price of the book.

IV.—That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to the protection of fiction to this extent.

The conditions governing the sale of fiction are such that the association does not attempt to fix a

uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

When a work of fiction published under this rule is sent postpaid the price to the purchaser shall be not less than the minimum price plus the postage.

V.—The only exceptions to the foregoing rules shall be in the case of libraries, which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction.

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction.

VI.—That the association suggests a discount on net copyrighted books of 25 per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII.—That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VIII.—That when the publisher sells at retail a net book published under the rules it should be at the retail price and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books as sent to the above conditions of sale. Under the direction of the Board the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association, jobbers and the trade, of any persons violating the above provisions.

X.—That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI.—That the association, through its agents and members, aid in the formation of booksellers' as-

sociations in the important centres and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintainining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important centre or section of the country. That the association pledges itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XII.—That in making sales and contracts of sales of their books involving future delivery, members shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association.

Exhibit F.

THE AMERICAN PUBLISHERS' ASSOCIATION,

156 FIFTH AVENUE, NEW YORK.

PLAN AS AMENDED TO MARCH 4TH, 1903.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association, held February 13, 1901; amendments referring to fiction, juveniles and other matters were adopted at later meetings.

Special attention is called to changes in the following Sections: 1, 3 (last paragraph), 4, 5 and 12.

I.—That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices which it is recommended shall be reduced from the prices at which similar books have been issued heretofore; provided, however, that there shall be expempt from this agreement all school books, books published by subscription and not through the trade, such other books as are not sold through the trade; also at the desire of the individual publisher, any new editions, any work of fiction (not juveniles) or any juveniles of the class that may be described as board books, flat picture books or toy books.

II.—It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III.—That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their books to anyone who offers, protected books in combination with a periodical at less than the trade subscription price of such periodical plus the NET or minimum retail price of the book.

IV.—That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, and on all juvenile board books, flat picture books, or toy books (not net), published after March 1st, 1903, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to this extent to the protection of fiction and juvenile books published on the same basis as fiction.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold but only to name a maximum discount which, however, it is hoped will rarely be given.

V.—The only exceptions to the foregoing rules shall be in the case of libraries which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction, and juvenile board books, flat picture books or toy books (not net).

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction.

VI.—That the association suggests a discount on net copyrighted books of twenty-five per cent. to dealers as a general discount, leaving the question of discount however entirely to the individual publisher.

VII.—That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so re-sold to him on demand.

VIII.—That when the publisher sells at retail a net book published under the rules it shall be at the retail price and he shall add the cost of postage or expressage on all books sent out of the City in which the publisher does business.

IX.—That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board, the manager shall investigate all cases of cutting reported and when directed shall send out notices to the association, jobbers, and the trade, of any persons violating the above provisions.

X.—That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI.—That the association through its agents and members aid in the formation of booksellers' associations in the important centres and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important centre or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XII.—That in making sales and contracts of sales of their books involving future delivery members

shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association.

Dated March, 1903."

Exhibit G.

THE AMERICAN PUBLISHERS' ASSOCIATION,

156 FIFTH AVENUE, NEW YORK.

PLAN AS AMENDED TO JANUARY 14TH, 1904.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association held February 13, 1901; amendments referring to fiction, juvenile and other matters were adopted at later meetings.

Special attention is called to changes in the following Sections: 1, 3 (last paragraph), 4, 5 and 12.

I.—That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices which it is recommended shall be reduced from the prices at which similar books have been issued heretofore; provided, however, that there shall be exempt from this agreement all school books, books published by subscription and not through the trade, such other books as are not sold through the trade; also at the desire of the individual publisher, any new editions, any work of fiction or any juvenile.

II.—It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III.—That the members of the association agree that such net copyrighted books and all others of their books shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net prices or whose name has been given to them by the association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided.

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their books to any one who offers protected books in combination with a periodical at less than the trade subscription price of such periodical plus the NET or minimum retail price of the book.

IV.—That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1st, 1902, and on all juvenile books (not net), published after April 1st, 1904, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to this extent to the protection of fiction and juvenile books published on the same basis as fiction.

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold, but only to name a maximum discount which, however, it is hoped will rarely be given.

V. The only exceptions to the foregoing rules shall be in the cases of libraries which may be allowed a discount of not more than 10 per cent. on net books and 33⅓ per cent. on fiction, and juvenile books (not net).

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discounts on net books, nor to any special discount on fiction or juvenile books.

VI.—That the association suggests a discount on net copyrighted books of twenty-five per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII.—That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands they must be so resold to him on demand.

VIII.—That when the publisher sells at retail a net book published under the rules it shall be at the retail price, and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX.—That for the purpose of carrying out the above plan the directors of the association be authorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board, the manager shall investigate all cases of cutting reported, and when directed shall send out notices to the association, jobbers and the trade, of any persons violating the above provisions.

X.—That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI.—That the association through its agents and members aid in the formation of booksellers' associations in the important centres and cities in the United States, the object of which associations shall be to assist the Publishers' Association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important centre or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to

XII.—That in making sales and contracts of sales of their books involving future delivery members shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association."

15. That thereafter and during the month of February, 1904, in an action brought in the Supreme Court of the State of New York, it being a court of competent jurisdiction, wherein the defendants in this action were plaintiffs and the American Publishers' Association and the American Booksellers' Association and such of their respective members as were within the jurisdiction of the said

court were made parties defendant, the New York Court of Appeals, being the highest Appellate Court in the said State, rendered its decision that the combinations and agreements described in paragraphs 10, 11, 12 and 14 of this statement were unlawful and void and contrary to the statute, law and public policy of the State of New York and more especially of the statute law of said State known as Chapter 690 of the Laws of 1899, which said law, for the purposes of this statement, is made part of the record.

The prevailing opinion of the Court to which reference is hereby made for the true construction of said decision, reported 177 N. Y., 473, is as follows:

ISIDORE STRAUS *et al.*, composing the firm of R. H. Macy & Company, Respondents, v. AMERICAN PUBLISHERS' ASSOCIATION *et al*, Appellants.

MONOPOLIES—An Agreement Which in Effect Prevents the Sale of Uncopyrighted Books in the State is Illegal under the Anti-Monopoly Act (L. 1899, Ch. 690). An agreement between publishers representing ninety-five per cent. of the books published in the United States, and ninety per cent. of the business done in the book trade, that all copyrighted books published by any of them after a specified date should be published and sold at retail at net prices—that such net copyrighted books and all other books, whether copyrighted or not, or whether published by them or not, should be sold by them to those booksellers and jobbers only who would maintain the retail net price of such net copyrighted books for one year, and to those booksellers and jobbers only who would furthermore sell books at wholesale to no one known to them to cut or sell at a lower figure than such net retail price, or whose name would be given to them by the association as one who cut such prices—and that evidence shall not be required by the bookseller or jobber in order to restrain him from selling to one who has been blacklisted, but that all that shall be required to govern his action any to prevent him from selling to such persons shall be that the name has been given to him by the association as one who cuts such net prices—is an agreement, which, while pur-

porting to secure to the owner and publisher of copyrighted books the monopoly permitted by Federal law, may, and as practically construed by the parties does not operate in fact so as to prevent the sale of books of any kind or at any price to any dealer who resells, or is suspected of reselling, copyrighted books at less than the arbitrary net price, whether such dealer be a member of the association or not: such an agreement undertakes to interfere with the free pursuit in this State of a lawful business in which a monopoly is not secured by the Federal statute, viz., that of dealing in books which are not protected by copyright; it is, therefore, in violation of Chapter 690 of the Laws of 1899, enacted to prevent monopolies in articles or commodities of common use and to prohibit restraint of trade and commerce.

Straus *v.* American Publishers' Assn., 85 App. Div., 446, affirmed.

(Argued January 19, 1904; decided February 23, 1904).

Appeal, by permission, from an order of the Appellate Division of the Supreme Court in the first Judicial Department, entered July 30, 1903, which reversed an interlocutory judgment of Special Term sustaining demurrer to the complaint.

STEPHEN H. OLIN, for Appellants.

THADDEUS D. KENNESON, for Appellants.

JOHN G. CARLISLE and EDMOND E. WISE, for Respondents.

PARKER, *Ch. J.* Chief Justice Marshall said long ago, in Grant *v.* Raymond (6 Pet., 217, 241): "To promote the progress of useful arts is the interest and policy of every enlightened government. It entered into the views of the framers of our Constitution, and the power 'to promote the progress of science and useful arts, by securing for limited times to authors and inventors, the exclusive right to their respective writings and discoveries,' is among those expressly given to Congress. * * * It is the reward stipulated for the advantages derived by the public from the exertions of the individual, and is intended as a stimulus to those exertions. The laws which are passed to give effect to this purpose ought, we think, to be construed in the spirit in which they have been made, and to execute the contract fairly on the part of the United States, where the full benefit has been actually received; if this can be done, without transcending the inten-

tion of the statute, or countenancing acts which are fraudulent or may prove mischievous. The public yields nothing which it has not agreed to yield; it receives all which it has contracted to receive. The full benefit of the discovery after its enjoyment by the discoverer for fourteen years is preserved and for his exclusive enjoyment of it during that time, the public faith is pledged."

That case and many others were considered recently by the United States Supreme Court in Bement *v.* National Harrow Co. (186 U. S., 70), Mr. Justice Peckham writing. After an examination of the cases which may be said to restrict the exceptions which grow out of a proper exercise of the police power of the State--of which Patterson *v.* Kentucky (97 U. S., 501) is an illustration--he says (186 U. S., 91): "Notwithstanding these exceptions, the general rule is absolute freedom in the use or sale of rights under the patent laws of the United States. The very object of these laws is monopoly, and the rule is, with few exceptions, that any conditions which are not in their very nature illegal with regard to this kind of property, imposed by the patentee and agreed to by the licensee for the right to manufacture or use or sell the article, will be upheld by the Courts. The fact that the conditions in the contracts keep up the monopoly or fix prices does not render them illegal."

That reasoning is employed as to patent rights. It is equally applicable to copyrights, the protection of which was perhaps the leading object of the association and agreement attacked in this action. And it points to the principle underlying the decision in the Park & Sons Co. case (175 N. Y., 1), upon which defendants apparently rest their claim that the judgment of the Appellate Division should be reversed. But there is a feature in this case not to be found in that one, and which requires a different judgment than the one rendered therein, which will now be pointed out.

While the leading object of this association and agreement purports to be to secure to the owner and publisher of copyrighted books that protection which the Federal Government permits them to enjoy for the reasons stated by Chief Justice Marshall (*supra*), it does not stop there. It also affects the right of a dealer to sell books not copyrighted at the price he chooses, or to sell at all, if he fails to comply with the rules of the association. A combination creating

a monopoly of the sale of books not protected by copyright offends against the law of this State as much as if it related to bluestone (164 N. Y., 401) or to gasoline (167 N. Y., 299) and according to this complaint, which must be accepted as true on this review, such an outcome is not only possible but probable. But it is not of moment whether such a result is probable or not, for the test to be applied is, What may be done under the agreement?

Reference to the complaint makes it clear that the association has undertaken to provide for the practical exclusion from the business of selling books not protected by copyright all who refuse to be bound by the rules of the association. And it appears from the complaint that the practical construction given to this agreement by those operating together under it is that if a dealer is suspected of selling copyrighted books at less than the arbitrary net price it is quite sufficient to exclude him from selling books altogether. The agreement nowhere suggests that it is the object of the association to control the sale of books not protected by copyright. Indeed, the object of the association seems to be merely to protect the copyrighted books. But while the other part of the scheme is apparently sought to be hidden, it is after all uncovered by the clauses authorizing the exclusion of any members of the association, or those who refuse to be bound by its rules, from selling books of any description.

The 15th paragraph of the complaint alleges "That during the year 1900 a number of prominent publishers, including defendants, hereinbefore described as publishers (for the purpose of securing to themselves an unreasonable and extortionate profit and at the same time with intent to prevent competition in the sale of books and for the purpose of establishing and maintaining the prices of all books published by them, or any of them, and all books dealt in by them, or any of them, and preventing competition in the sale thereof, unlawfully, illegally and contrary to the public policy and the statutes of the State of New York * * * combined and associated themselves together," etc. The 16th paragraph refers to the method of organization, and the fact of the adoption of a resolution, and an agreement to carry out their object; while the 17th states the nature of the agreement as follows: "That as a part of said unlawful scheme and combination the members of said association agreed that such net copyrighted

books, and all other books, whether copyrighted or not, or whether published by them or not, should be sold by them to those booksellers only who would maintain the retail net price of such net copyrighted books for one year, and to those booksellers and jobbers only who would furthermore sell books (the word " copyrighted " is omitted at this point) at wholesale to no one known to them to cut or sell at a lower figure than such net retail price, or whose name would be given to them by the association as one who cut such prices

It will be seen that while the leading object of this portion of the agreement apparently is to maintain the retail net price of copyrighted books it operates in fact so as to prevent the sale of books to dealers who sell books of any kind to one who retails copyrighted books at less than the net retail price.

And the agreement further provides that evidence shall not be required by the bookseller or jobber in order to restrain him from selling to one who has been blacklisted, but that all that shall be required to govern his action, and to prevent him from selling to such a person, shall be that the name has been given to him by the association as one who cuts such net prices. It has been admitted, and must be, that the agreement may be so worked out as to deprive a dealer from selling any books whatever, thus breaking up his business.

But, it is said, that is only intended as a punishment for one who refuses to be bound by the wishes of the owner of the copyrighted book as to its selling price; in other words, that the association inflicts upon him the penalty of a destruction of his business, because of his refusal to abide by the rules of the association. It is, of course, of no consequence how this course of action may be described by those who invented it, for if it be the fact that the combination which agrees to exclude others from an unprotected business violates the statute, then it matters not what excuse may be offered for it. It is the excuse, not the statute, which must give way.

The 18th paragraph of the complaint contains what purports to be a practical construction given to this agreement by the members of the association. It states: " That, in pursuance of said unlawful combination and agreement, said American Booksellers' Association and its members have continuously co-operated with and assisted the Ameri-

can Publishers' Association and the members thereof in establishing and maintaining prices of such books, and preventing competition in the supply and sale of the same, and still continues so to do; and plaintiffs say that in compliance with said agreement neither said associations nor any of the members thereof will sell or supply books at any price to any dealer, whether a member of said association or not, and whether such books are copyrighted or not, or are not published by said American Book Publishers' Association or its members, who resells, or is suspected of reselling, such copyrighted books at less than the arbitrary net price fixed by said unlawful combination, nor will the said association nor any of their members sell or supply any books whatever to any one who resells, or is suspected of reselling, such copyrighted books to any dealer who thereafter sells the same at less than such arbitrary net price.

Here then we have a practical construction of the agreement—one put upon it by the parties to it—and it is such a construction as the language employed calls for. And it discloses that the parties who are acting under the agreement assume it to be their right and their duty by virtue of it not to sell or permit to be sold books of any kind or at any price to any dealer "who resells or is suspected of reselling copyrighted books at less than the arbitrary net price," whether such dealer be a member of the association or not.

The intended effect of this is to prevent any dealer who is even suspected of reselling copyrighted books at less than the net price from obtaining books at any price or on any terms, whether copyrighted or not. And it does not stop there, for the members of the association agree not to supply him any books at any price, whether he resells copyrighted books at not less than the arbitrary net price, provided he is suspected of selling to any dealer who thereafter sells the same at less than such arbitrary net price. And this means inasmuch as the members represent 95 per cent. of the publishers and 90 per cent. of the business done in the book trade - that he may be practically driven out of the business if any one choses to suspect that a dealer to whom he has sold books has resold them at less than the price fixed.

The members of the association, therefore, have entered into an agreement which by its terms –as

we read it, and as they have construed it in their every-day working under it—undertakes to interfere with the free pursuit in this State of a lawful business in which any member of the community has a right to engage, a business in which a monopoly is not secured by the Federal statutes, namely, that of dealing in books which are not protected by copyrights; and hence it is in violation of Chapter 690, Laws of 1899, which provides: "Every contract, agreement, arrangement or combination whereby a monopoly in the manufacture, production or sale in this State of any article or commodity of common use is or may be created, established or maintained, or whereby competition in this State in the supply or price of any such article or commodity is or may be restrained or prevented, or whereby for the purpose of creating, establishing or maintaining a monopoly within this State of the manufacture, production or sale of any such article or commodity, the free pursuit in this State of any lawful business, trade or occupation is or may be restricted or prevented, is hereby declared to be against public policy, illegal and void."

The order should be affirmed, with costs.

Haight, Martin, Vann and Werner, *JJ.*, concur with Parker, *Ch. J.*; Gray and Barrett, *JJ.*, read dissenting opinions.

Order affirmed.

That the judgment upon this decision was duly adopted by the New York Supreme Court and entered on its records.

16. That thereafter and on or about the 13th day of March, 1904, the said resolutions or agreements were amended as to Article 3 so as to cover copyrighted books only, and so as to provide for the placing of the seller's name on the cut-off list of the association only under certain changed conditions, a copy of such resolutions as amended with the words stricken out by said amendment indicated by brackets, and the words thereby added in italics are hereto annexed and marked "Exhibit H."

Exhibit H.

THE AMERICAN PUBLISHERS' ASSOCIATION,
156 FIFTH AVENUE, NEW YORK.

PLAN AS AMENDED TO APRIL 1ST, 1904.

The following plan to correct evils connected with the cutting of prices on copyright books was adopted at a meeting of the American Publishers' Association, held February 13, 1901; amendments referring to fiction, juveniles and other matters were adopted at later meetings.

Special attention is called to changes in the following sections: 1, 3, 4, 5, 9 and 12.

I. That the members of the American Publishers' Association agree that all copyrighted books first issued by them after May 1, 1901, shall be published at net prices, which it is recommended shall be reduced from the prices at which similar books have been issued heretofore: Provided, however, that there shall be exempt from this agreement all school books, books published by subscription and not through the trade, such other books as are not sold through the trade; also at the desire of the individual publisher, any new editions, any work of fiction or any juvenile.

II. It is recommended that the retail price of a net book, marked NET, be printed on a paper wrapper covering the book.

III. That the members of the association agree that (such net) copyrighted books (and all others of their books) shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year, and to those booksellers and jobbers only who will sell their *copyrighted* books *except at retail* (further) to no one who (known to them to) cuts such net prices (or whose name has been given to them by the Association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided).

A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carries stock of them for public sale.

It is further agreed by the members of the association that they will not themselves offer, nor sell their *copyrighted* books to any one who offers, pro-

tected books in combination with a periodical at less than the trade subscription price of such periodical plus the net or minimum retail price of the book.

IV. That the members of the association agree that on all copyrighted works of fiction (not net) published by them after February 1, 1902, and on all juvenile books (not net) published after April 1, 1904, the greatest discount allowed at retail for one year after publication shall be 28 per cent.; and all the rules for the protection of net books shall apply to this extent to the protection of copyrighted fiction and copyrighted juvenile books published on the same basis as fiction

The conditions governing the sale of fiction are such that the association does not attempt to fix a uniform price at which works of fiction (not net) shall be sold, but only to name a maximum discount, which, however, it is hoped will rarely be given.

V. The only exceptions to the foregoing rules shall be in cases of libraries, which may be allowed a discount of not more than 10 per cent. on net books, and 33⅓ per cent. on fiction and juvenile books (not net).

Libraries entitled to these discounts may be defined as those libraries to which access is either free or by annual subscription. Book clubs are not to be entitled to discount on net books, nor to any special discount on fiction or juvenile books.

VI. That the association suggests a discount on net copyrighted books of 25 per cent. to dealers as a general discount, leaving the question of discount, however, entirely to the individual publisher.

VII. That after the expiration of a year from the publication of any copyrighted book issued under these regulations, dealers shall not be held to the above restrictions, and may sell such book at a cut price; but if on learning of such action the publisher shall desire to buy back at purchase price the copies then remaining in the dealers' hands, they must be so resold to him on demand.

VIII. That when the publisher sells at retail a net book published under the rules it shall be at the retail price, and he shall add the cost of postage or expressage on all books sent out of the city in which the publisher does business.

IX. That for the purpose of carrying out the above plan, the directors of the association be au-

thorized to establish an office and engage a suitable person as manager, and endeavor to secure from all dealers in books assent to the above conditions of sale. Under the direction of the board, the manager shall investigate all cases of cutting reported, and when directed shall send out notices to the association, jobbers and the trade, of any persons violating the above provisions, *after giving the person accused of such violation an opportunity to explain his action.*

X. That it shall be the duty of all members of the association to report immediately to the said office all cases of the cutting of prices which may come to their knowledge.

XI. That the association, through its agents and members, aid in the formation of booksellers' associations in the important centres and cities in the United States, the object of which associations shall be to assist the publishers' association in maintaining prices on net books as aforesaid, and to establish such lawful rules and regulations respecting the conduct of business in their locality as will tend to secure fair, honorable and uniform methods of business in each important centre or section of the country. That the association pledge itself to support such local associations by every means in its power in maintaining such lawful rules and regulations as may in this way be agreed to.

XII. That in making sales and contracts of sales of their books involving future delivery members shall stipulate that such delivery is contingent on the observance by the purchaser of the rules of the association."

That thereafter the American Booksellers' Association passed a so-called Reform Resolution No. 2 in April, 1904, which said resolution is as follows:

Exhibit I.

REFORM RESOLUTION NO. 2.

"WHEREAS, the American Publishers' Association has adopted a net price system and entered into an agreement for its maintenance, by which the members of said association will cut off the supply of all their copyrighted books to any dealer who fails

to maintain the net price of any or all copyrighte books published under the net price system.

1. Now, therefore, be it resolved, That this, the American Booksellers' Association, in convention assembled, accept the said net price system, with the distinct understanding that it is the intention of the American Publishers' Association to include copyrighted fiction under the net price system as rapidly as possible; and

2. Furthermore, be it resolved, That all members of the American Booksellers' Association shall give to each of the members of the American Publishers' Association, and to all publishers who co-operate with them in the maintenance of the net price system, our most cordial support; and that to this end we agree not to buy, not to keep in stock, nor to offer for sale, after due notification, the copyrighted books of any publisher who declines to support the net price system.

3. Furthermore, be it resolved, That we instruct our secretary promptly to notify all members of this association that this resolution is applicable and in force with reference to any publisher who shall have made it manifest that he is unwilling to cooperate with this association, and with the members of the Publishers' Association, in the maintenance of the net price system.

4. Furthermore, be it resolved, That this resolution, on being ratified by two-thirds of the members of this association, voting by formal ballot, shall immediately become a law to each and all of the members of this association; and if it shall appear upon the presentment of any three members of this association that a member has purchased, put in stock, or offered for sale, the copyrighted books of a publisher who has been formally denounced, such member shall be expelled from membership in this association, and all members of this association shall then and thereafter be restrained from supplying any copyrighted books to such expelled member at a discount from the usual retail price.

5. Furthermore, be it resolved, That all members of this association shall be restrained from furnish ing any copyrighted books, at less than the net or usual retail price, to any dealer who shall have been denounced by the Publishers' Association for cutting the price of net copyrighted books, or for otherwise violating the net price system, and who

shall have been therefor cut off by the members of the Publishers' Association from the supply of their copyrighted books.

6. Furthermore, be it resolved, that all members of this association shall endeavor to keep in stock and push the sale of net copyrighted books so long as they are reasonably in demand, provided such discount is allowed by the publishers to the dealers as will yield them a living profit; and they shall maintain the net prices of the same in accordance with the terms of the publishers' agreement for the maintenance of the net price system.

I or we hereby vote to rescind Reform Resolution No. 1 and to adopt Reform Resolution No. 2.

(Signed) Name.....

Address.....

Dated March 10, 1904."

17. That since May, 1901, the date that the first resolutions and agreements of the American Publishers' Association and the American Booksellers' Association and their respective members went into effect, and until April, 1904, a large majority of all the publishers, in numbers and extent of business, including the complainant herein, and a large majority of all the booksellers throughout the United States, consisting of about 90 per cent. both in numbers and in extent of business, have obeyed the rules and regulations of the two associations as from time to time amended, they and each of them refused to sell or sanction the sale of any books of any kind, whether copyrighted or uncopyrighted, whether published by any member of the American Publishers' Association or not, to any dealer throughout the United States who did not maintain at retail the net or restricted price at which each copyrighted book was published under the net price or restricted price system, nor would they sell nor sanction the sale of any books of any kind to any one who was known or believed to sell such net or restricted copyrighted books at retail at less than the net or restricted price, nor would sell or sanction the sale of any books of any kind to any one who sold books of any kind to a price-cutter

on copyrighted books, or who was known or believed to supply a price-cutter with any books of any kind, and that when any dealer or person sold any net price books or restricted price books at less than the net or restricted price, or any jobber or wholesaler supplied a price-cutter with any books of any kind, or was known or believed to so supply him, the two associations circulated and published notices warning all persons in the trade whether members of either of such associations or not, that the book supply of such persons had been cut off pursuant to the rules of the two associations.

18. That since April, 1904, any dealer who does not maintain the net or restricted price at retail of any copyrighted book published by any member of the publishers' association under the net price or restricted price system, cannot purchase any copyrighted books of any kind from any of the members of either of the associations at less than the retail price, whether such copyrighted book is published by any of the members of the associations or not, and whether such copyrighted book was published under the net price system or not, or prior thereto.

19. That the defendants were placed on the cut-off list in May, 1901, because they refused to maintain the net retail price of $1.40 on the copyrighted book "Tarry Thou Till I Come," published by Funk & Wagnalls, but uniformly sold the same at retail at $1.24, and that since said time their name has been circulated monthly upon the list of dealers whose supplies have been cut off under the rules of the two associations, and against whom the trade at large was warned as price-cutters and as coming under the rules of the two associations as dealers to whom books should not be sold, and, furthermore, that books should not be sold to any one who in turn was known or believed to resell the same to these defendants. That since March, 1904, the

rules have been amended and relaxed as above set forth as to permit dealings with the defendants in uncopyrighted books only. That as to all copyrighted books of any and all kinds, the members of said associations are not permitted under the rules to sell to the defendants nor to sell to any one who resells or is believed to resell to the defendants, and that the cut off or black lists have been published against these defendants and against such other dealers as have been cut off from their supply of books, copyrighted or otherwise, without any interruption or intermission from the time they were first included in the list of dealers whose supplies were cut off, until the present time, without any change in the method employed prior to the passage of the last amendment, which eliminated uncopyrighted books from the rules.

20. That such combination and agreement as hereinbefore described are now in force, and that it is intended by the members of the two associations, and the two associations to continue them in force.

21. That the complainant was, since May, 1901, a member of the American Publishers' Association and a party to all the agreements of said association hereinbefore set forth, and obeyed and lived up to all the rules and regulations of the American Publishers' Association hereinbefore set forth and published all its books, including "The Castaway," in accordance with the rules and regulations of the association above set forth.

22. That the members of the said two associations, including the complainant herein, do now and at all the times herein mentioned have resided and carried on their business of selling books, in many different States, and that in the conduct of their respective business as publishers, wholesale and retail dealers in books, the members of the said two associations, including the

complainant, were and now are engaged in the business of purchasing books, copyrighted and uncopyrighted, from each other and from other persons, in many States other than the States in which the purchasers resided, or now reside, and do business. And all such books were and have been transported in compliance with the contract of purchase, from the State where such books were purchased to the purchaser, and delivered to the purchaser in the State where he resided, or now resides, in and conducts his business, and members of both of such associations, including the complainant herein, also sell and have sold books to many persons who are not members of the said associations, in States other than the ones in which the sellers reside and conduct their business, and all such books were and have been transported in compliance with the contract of purchase, from one State to another and then delivered to the purchaser, and that all the rules, regulations and agreements made by the said two associations and its members, including the complainant, as hereinbefore set forth, were intended to be applied and be enforced, and have been and are now applied to and enforced against all publishers and dealers in books throughout all the States of the United States, whether such publishers and dealers were or were not members of either of such associations, and whether they purchased books in one State for transportation and delivery in another, or for delivery in the State where purchased.

23. That the members of the said two associations, including the complainant herein, have heretofore produced, distributed and sold, and still produce, distribute and sell the majority of all books purchased and dealt in throughout the State of New York and of all other States and Territories of the United States.

From these facts, which are conceded, it appears that the original purpose of the combination and

agreement of the association of publishers, including the complainant, was (1) to maintain the net retail price of all copyrighted books published by the members of such association, or any of them, at such price per book as might be fixed by the publisher of that book, and (2) to prevent the sale at retail of any one or more of such copyrighted books by any dealer in books at retail at a less price per copy than that so fixed (see finding, 10). Thereupon the persons, firms and corporations in the combination, including the complainant, formed a corporation under the name American Publishers' Association. This corporation included a large majority of all the publishers of all books, both copyrighted and uncopyrighted, in the United States. This corporation immediately on its organization adopted the resolution, Exhibit A, and it and its members entered into an agreement with each other and combined together to do the acts and things and refrain from doing the acts and things mentioned in such resolution, Exhibit A.

That subdivision or paragraph III. thereof was illegal and in restraint of interstate commerce is perfectly plain (see Finding, 22). In fact the effect of the decision of the Court of Appeals of the State of New York quoted in the findings (Finding, 15) is so to declare. By paragraph or subdivision X. of such resolution the combination to keep up the price of books and limit and restrain interstate commerce was to be further extended. Thereupon the American Booksellers' Association was formed (see Finding, 12). That the object and purpose as there set forth was illegal cannot be doubted. We now have the combination extended to at least ninety per cent. of the booksellers of the United States and including not only ninety per cent. of all publishers but ninety per cent. of all publishers of books. The combination as existing under those resolutions, &c., is not confined to publishers and sellers of copyright books but includes the publishers and sellers of all books. The declared object and purpose of this combination

is, (1) to fix the retail price of books; (2) to maintain such retail price; (3) to refuse to furnish or sell any books to any dealer in books who does not maintain such prices, that is, who sells a book at less than the fixed price; (4) to compel all publishers and dealers in books, in practical effect at least, to come into the combination and enforce and maintain these prices or be blacklisted and driven from the business; (5) to drive out of the business of general publishing and bookselling all who refuse or neglect to maintain these prices. The freedom of the owner of a book, any book (except those specially excepted) duly purchased and paid for, to sell the same, soiled or injured or read and no longer desired, was thus attempted to be destroyed. The right of a retail bookseller to sell to the purchaser of fifty books for his library at a less price than to the purchaser of one book must not be exercised under the pain and penalty of having his supply of books cut off and of being driven from the business and financially ruined (see Exhibit B, Finding 12). As to what was done in restraint of interstate commerce see finding 13.

An attempt was then made by the American Publishers' Association to eliminate the vicious provision of the written agreements and resolutions adopted by the combination by the substitution of article or subdivision III. of Exhibit H (see finding 16). This must be read with the words included in brackets left out. The American Booksellers' Association followed with the adoption of Exhibit I, or "Reform Resolution No. 2." In finding 17 is set out what was done up to April, 1904. What has been done by the combination since April, 1904, is set out in finding 18. As appears from finding 19 the defendants were put on the so-called cut-off or blacklist in May, 1901, when the unmodified agreement or combination was being enforced. Its offense was in refusing to maintain the retail price of a copyright book however. Defendants' name has not been taken from the list

at any time. It is found and conceded that the complainant is living up to and enforcing the agreements, rules and regulations aforesaid, as modified of course, and has published and is publishing all its books, including "The Castaway," because thereof and in accordance and compliance therewith. It follows necessarily from the facts recited from 1 to 23, inclusive, and is found as a further fact, that the notice in "The Castaway" on the page following the fly leaf, viz.: "The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. The Bobbs-Merrill Company," is an act done by the complainant acting in combination with the said American Publishers' Association and the American Booksellers' Association and the members thereof in execution of the said combination and agreement and for the purpose of enforcing same, and because of the said combination and agreement as evidenced by the acts of and the resolutions and rules adopted and made by such associations and agreed to and being executed by the members of said association, including this complainant. It also follows and is found as a fact that such notice was put in such books and that its enforcement as an alleged license agreement is attempted, by means of this action, not because the complainant reserved or intended to reserve to itself any interest in said books containing such printed notices, nor because it merely licensed or intended to license the purchasers thereof who purchased same in the first instance from the complainant, to use or sell such books in a certain way or on certain terms and conditions, or at certain prices, but as an attempt by complainant, as a member of said American Publishers' Association, to enforce as against this defendant the rules of such associations and combination fixing prices, in an effort to maintain them. It is part of a scheme and the right of the complainant to maintain this action depends on the validity of that scheme or

combination. Is such notice in such books sufficiently explicit in its terms to constitute a license agreement or contract or any restriction on or modification of the absolute title thereto in the defendant? It does not purport to reserve to the complainant any interest in the book, or any right to control it or the action of its owner in his use and disposition of it except by possible inference.

In Heaton Peninsular Button-Fastener Co. *v.* Eureka Specialty Co. *et al.*, 77 Fed. Rep., 288, the owner of a patent for fastening buttons to shoes with metallic fasteners made and sold the machines with this notice on a metal plate so conspicuously fastened thereto that all must see it, and so securely fastened as to constitute substantially an integral part of the machine, viz.: "Condition of Sale. This machine is sold and purchased to use only with fasteners made by the Peninsular Novelty Company, to whom the title to said machine immediately reverts upon violation of this contract of sale."

Here is a plain unequivocal statement, one that cannot be misconstrued or misunderstood, that there is a condition attached to the sale, viz.: that the machine is to be used with fasteners of a certain make only and that a use with other fasteners will be such a violation of the agreement as to defeat the title or right given. This was seen by the purchaser, and he took the machine on that condition and by so doing agreed to the condition and became bound thereby. He became a mere licensee. He acquired the right to use that machine in a certain way only.

In Cortelyou and another and Neostyle Company *v.* Charles Eneu Johnson & Co., recently decided by this Court, but not yet reported, the patented Rotary Neostyle was sold with this notice on a metal plate firmly and conspicuously attached thereto, viz.: "License Agreement. This machine is sold only by the Neostyle Company and purchased by the user with the express understanding that it is licensed to be used only with stencil paper and ink (both of

which are patented) made by the Neostyle Company New York City." When the purchaser took this machine he assented to this condition and became bound by it and became a licensee. He is told that he is licensed to use the machine in a certain way and with certain supplies only. Had he been licensed to sell only, that is, made an agent to sell, and empowered to sell at a certain fixed price only it is unquestionably true that had he violated the agreement by selling at a lower or even a higher price he could have been enjoined. Having the sole power to vend his patented articles he would undoubtedly have the right to fix the price at which they should be sold and stop sales made by his agents and licensees in violation of the authority conferred. This is now settled as to a patent right.

Bement *v.* National Harrow Co., 186 U. S., 70, 88, 92, 93.

In the opinion in that case (pp. 92-93) we find the following:

"The contracts plainly look to the sale, and they also determine the price of the article sold, throughout the United States, as well as to the manufacture in the State of Michigan. As these contracts do, therefore, include interstate commerce within their provisions, we are brought back to the question whether the agreement between these parties, with relation to these patented articles, is valid within the act of Congress. It is true that it has been held by this Court that the act included any restraint of commerce, whether reasonable or unreasonable. United States *v.* Trans-Missouri Freight Association, 166 U. S., 290; United States *v.* Joint Traffic Association, 171 U. S., 505; Addystone Pipe, &c., Company *v.* United States, 175 U. S., 211. But that statute clearly does not refer to that kind of a restraint of interstate commerce which may arise from reasonable and legal conditions imposed upon the assignee or licensee of a patent by the owner thereof restricting the terms upon which the article may be used and the price to be demanded therefor. * * * The provision in regard to the price

at which the licensee would sell the article manufactured under the license was also an appropriate and reasonable condition. It tended to keep up the price of the implements manufactured and sold, but that was only recognizing the nature of the property dealt in and providing for its value, so far as possible. This the parties were legally entitled to do. The owner of a patented article can, of course, charge such price as he may choose, and the owner of a patent may assign it or sell the right to manufacture and sell the article patented upon the condition that the assignee shall charge a certain amount for such article."

In Victor Talking Machine *et al. v.* The Fair, 123 Fed. Rep., 424 (C. C. A.), the syllabus reads:

"The owner of a patent who manufactures and sells the patented article may reserve to himself, as an ungranted part of his monopoly, the right to fix and control the prices at which jobbers or dealers buying from him may sell to the public, and a dealer who buys from a jobber with knowledge of such reservation, and resells in violation of it, is an infringer of the patent."

And in the opinion, after stating that the grant of a patent by its terms covers three separate or separable fields, the learned Judge giving the opinion says:

"The field of sale is as much within the monopoly as the others, and so it has been decided. Bement *v.* National Harrow Co., 186 U. S., 70; 22 Sup. Ct., 747, 46 L. Ed., 1058. And in Edison Phonograph Co. *v.* Kaufmann (C. C.), 105 Fed., 960, and Same *v.* Pike (C. C.), 116 Fed. 863, the holdings were that a patentee may reserve to himself as an ungranted part of his monopoly of sale the right to fix and control the prices at which jobbers and dealers may sell the patented article to the public, and that whoever without permission enters the reserved portion is an infringer."

In the Victor Talking Machine case, *supra*, the notice affixed to the machine read: "Notice, This machine, which is registered in our books No.....,

is licensed by us for sale and use only when sold to the public at a price not less than $..... No license is granted to use this machine when sold at a less price. * * * A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation. Victor Talking Machine Co."

In the Edison Phonograph Company cases, cited (*see supra*) by Judge Baker in the Victor Talking Machine case (*supra*), there was a restrictive contract, and this was referred to in the following language by a notice on the box containing the instrument when sold, viz.: "Notice to Dealers: This record is sold subject to restrictions as to the persons to whom and the prices at which it may be sold. Any violation of such restrictions makes the seller or user an infringer of the Edison Patents." A reference to the case in 116 Fed. Rep., 863, will show that the restriction was very clear and explicit. The notice in "The Castaway" does not suggest a restriction upon the title to the book; that the person or persons taking the book for sale is obtaining anything short of an absolute title, and no one would suppose that the publisher of the book would attempt or assume to fix the price at which dealers should sell after obtaining absolute title to the book from such publisher. The words "No dealer is licensed to sell it at a less price" is notice that licensees not absolute owners are so restricted. The words "and a sale at a less price will be treated as an infringement of the copyright" clearly does not even tend to make such a sale by an absolute owner of such books an infringement of the copyright.

It is a close question whether a copyright may be infringed by selling in violation of express and explicit restrictions placed on the dealer, expressly made an agent or licensee only, as to the mode of sale or the price at which same is to be sold.

The Act of March 3, 1891 (26 St. L., 1106), entitled "An act to amend title sixty, chapter three of

the Revised Statutes of the United States, relating to copyrights" amends Section 4952 so as to read "The author * * * or proprietor of any book * * * shall, upon complying with the provisions of this chapter have the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and vending the same." Section seven of that act amends Section 4964 of the Revised Statutes so as to read as follows:

"Every person, who after the recording of the title of any book and the depositing of two copies of such book, as provided by this act, shall, contrary to the provisions of this act, within the term limited, and without the consent of the proprietor of the copyright first obtained in writing, signed in the presence of two or more witnesses, print, publish, dramatize, translate, or import, or knowing the same to be so printed, published, dramatized, translated, or imported, shall sell or expose to sale any copy of such book, shall forfeit every copy thereof to such proprietor, and shall also forfeit and pay such damages as may be recovered in a civil action by such proprietor in any court of competent jurisdiction."

This section declares what acts constitute a violation of the copyright of a book. It declares that to constitute a violation of the copyright the offender must have within the term limited, that is, within the life of the copyright, and without the consent of the proprietor thereof, first obtained in writing and executed in the presence of two or more witnesses, printed or published or imported, contrary to the provisions of the act, such copyrighted book, or contrary to the provisions of the act within such time and without such consent must have sold or exposed to sale a copy of such copyrighted book known to have been illegally printed. In substance this section declares that it is an infringement of a copyright to print or publish a copyrighted book without the consent of the proprietor given in writing signed in the presence of two witnesses, or to import a copy

of such book without such consent, or knowingly to sell or expose for sale a copy or copies of such copyrighted book when unlawfully printed or imported. From this it would appear that an infringement by the sale of a copyrighted book consists in the selling or exposing for sale of a copy of such book that has been unlawfully printed or imported. If this be the law it is not an infringement of a copyright to sell or expose for sale a copy or copies of such book when the same was lawfully printed or lawfully imported. The result would be that it is not an infringement of the copyright of a book to sell a copy or copies thereof lawfully printed, as in this case, in violation of a mere condition imposed upon a dealer by the publisher by which such dealer agrees not to sell below a certain price, the title to the book having been vested in such dealer by the publisher thereof or even in cases where the absolute title had not passed to the dealer. If the publisher of the book being the proprietor of the copyright, parts with the title to such book, either a single or any number of copies, and receives his pay therefor, he has voluntarily parted with all control over that or those particular books. The owner of those books is neither a licensee nor an agent. He has the absolute property therein and the absolute ownership of an article of personal property carries with it the right to give away or sell for such consideration as the owner sees fit to impose, prescribe or demand so long as he violates no law. This view of the copyright laws of the United States, as amended by the Act of March 3, 1891, seems to be taken by Macgillivray in his work on the Law of Copyright, Chap. 4, Sec. 2, page 287. He there says:

"PROHIBITED ACTS AND REMEDIES. It is an infringement, subject to the remedies stated below, to do any of the following acts in respect of a copyrighted work. In the case of: 1, Books; without the consent of the proprietor in writing signed in the presence of two witnesses, 1, to print or publish. 2,

To dramatize or translate. 3, To import. 4, Knowingly to sell or expose for sale copies unlawfully made or imported.

We find no suggestion that it is an infringement of the copyright of a book for the owner of the book to sell copies at a price which violates a valid contract between the publisher of the book and the dealer and which was made at the time such dealer became the owner.

In Harrison *v.* Maynard, Merrill & Co. (C. C. A., 2d Circuit), 26 U. S. App., 99; 61 Fed. Rep., 689, the complainants, publishers of books and the owners of a copyrighted book, sent a quantity of the printed and unbound sheets of such book to the bindery of one Alexander for binding, and such sheets were to be stored until complainants should order bound copies. Sometimes they bound copies in advance. A fire occurred in the bindery, and both complainants and Alexander supposed the commercial value as books of all such bound or unbound sheets of such book in such bindery was destroyed. On examination complainants' agent so reported. Thereupon, Alexander, without objection from complainant, sold the entire debris to one Fitzgerald, who without moving it sold same to some dealers in old paper. Alexander imposed no restriction or condition when he sold. Fitzgerald, who had become the owner of the debris including the printed sheets and bound volumes, put this condition and restriction in the bill of sale: "It is understood that all paper taken out of the building is to be utilized as paper stock, and all books to be sold as paper stock only, and not placed on the market as anything else." Harrison, a dealer in books, visited the place and purchased of these dealers in old paper some of the volumes of the copyrighted book not destroyed and put them on the market. He had no notice of the restriction or condition put in the bill of sale given by Fitzgerald. Complainants, owners of the

copyright, brought suit to enjoin such sale by Harrison. On these facts the Court, Wallace, Lacombe and Shipman, held that so long as the owner of a copyright retains the title to the copies of the book which he has the exclusive right to vend by virtue of the copyright, he can impose restrictions upon the manner in which and upon the persons to whom the copies can be sold. They also held that if the agents of the owner of the copyright intrusted with the possession of such books violates his instructions and fraudulently sells to a person who has knowledge of the restrictions, such sale by the agent constitutes a fraud upon the owner of the copyright, and that such fraud constitutes an infringement of the copyright, with which the owner has never parted, and that such fraud, meaning, of course, such sales, can be restrained by virtue of the statues applicable thereto. The Court states that this right to enjoy the benefit of the copyright statutes results from the fact that the owner has never parted with the title to the book or the copyright, although he may have parted with the possession of the book. The Court also holds that the right to restrain the sale of a particular copy of the book by virtue of such statutes has gone when the owner of the copyright and of that copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use. If this is true of one particular book it is also true of a large number of copies. The Court also says, in substance, that the new purchaser cannot reprint the copy, but that the copy having been absolutely sold to him, the ordinary incidents of ownership in personal property, among which is the right of alienation, attaches to it. The Court further says, "If he has agreed that he will not sell it for certain purposes, or to certain persons, and violates his agreement and sells to an innocent purchaser, he can be punished for a violation of his agreement, but neither is guilty under the copy-

right statutes of an infringement. If the new purchaser participates in the fraud he may also share in the punishment." The Court cites in support of these statements Clemens *v.* Estes, 22 Fed. Rep., 899.

If this be a correct statement of the law, and this Court does not doubt that it is, we recur to the simple proposition whether or not the complainant in the case now under consideration, The Bobbs-Merrill Company, retained any title in the books in question by printing on the page following the title page the statement: "Copyright 1904. The Boobs-Merrill Company. May." And thereunder the statement, "The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. The Bobbs-Merrill Company."

The defendants in this case purchased ninety per cent. of its copies of this book from dealers at wholesale at a reduction of forty per cent. from said mentioned retail price. The other ten per cent. of their copies they purchased at retail, paying the full retail price therefor. The defendants knew of the statement printed in said books above quoted, and knew that it was printed in each copy of the book. The wholesale dealers from whom the defendants purchased their copies obtained such copies either from complainants direct or from other wholesale dealers at a discount from the above mentioned retail price. Such wholesale dealers knew that the book was copyrighted, and were familiar with the said statement printed in each copy thereof. The books that came to the defendants prior to reaching them did not pass through the hands of any person or persons who were ignorant of the said notice printed therein. It is expressly found, however, and conceded that these wholesale dealers from whom the defendants here obtained their copies were under no agreement or obligation to enforce the observance of the terms

of said notice by retail dealers or to restrict their sales of copies of such book to retail dealers who would agree to observe the said notice.

As has been stated, the notice contains no suggestion that the title of the purchaser to the book is in any way limited. The notice is that the price of the book at retail is one dollar net, and if the words "no dealer" are to be construed as referring solely to retail dealers then the notice is that the Bobbs-Merrill Company has not licensed any retail dealer to sell the book at retail for less than one dollar per copy. The fair meaning of this is that in cases where the Bobbs-Merrill Company has granted a license to some retail dealer or dealers to sell the book such licensee or licensees is limited and restricted in his or their authority, but the notice is not a suggestion or an intimation to any person that those who buy and pay for the book in the open market, or even of the Bobbs-Merrill Company, without entering into an express license agreement different from that suggested by this notice are bound or obligated in any way to demand one dollar per copy for such book. It well may be that the Bobbs-Merrill Company has licensed or will license certain dealers to sell this book, and when it grants a license it has the right to impose conditions on its licensees, but this notice does not state or suggest that every purchaser of one of these books containing this notice becomes a licensee with a limited title, or, in fact, no title to the book. A person cannot be both licensee and absolute owner. Again, it is contended that the words "The price of this book" refer to the particular copy containing the notice, and that the words "no dealer is licensed to sell it" refer to the particular copy containing the notice. It is further contended that the Court is bound to give this construction to this language, and that therefore the defendants having knowledge of the notice assented to the proposition, and in effect entered into a contract or agreement with the Bobbs-Merrill Company

whereby they became its agents to sell the copies at one dollar per volume and no less, or its licensee with power to sell such books for which it had paid the wholesale dealer the price demanded at one dollar per copy only. This Court refuses to give that construction to this notice. This Court declines to hold that the words in such notice "this book" and "it" refer to the particular copy of the book in which the notice is found. The language of the notice is a general statement referring to the book known as "The Castaway" generally and not to any particular copy or copies thereof, and, at best, is but a notice that licensees of the publishers are only at liberty to sell such book at one dollar per copy. The notice forms no part of a contract between the purchaser from the publisher and such publisher, nor does it limit or restrict the title of the purchaser. And this Court will say here that it would be lending itself to the perpetration of a fraud upon the public should it hold differently. If the Bobbs-Merrill Company in putting its books upon the market desires to say to wholesalers and to retailers that it is not selling the entire title to the copies put upon the market, let it say so in plain and unambiguous terms. Let it say in its notice that the purchaser of copies of the book from either the publisher or any wholesale or retail dealer is obtaining but a limited or qualified title in the copies purchased, or that in purchasing one or more copies such purchaser becomes but a mere licensee of the publisher without title to the copies and with power to dispose of the same only on receiving a specified sum of money. The Circuit Court of Appeals in Harrison *v.* Maynard, Merrill & Co., *supra*, also quotes with approval the language of Judge Hammond in Henry Bill Publishing Co. *v.* Smythe, 27 Fed. Rep., 914–925, viz.:

"The owner of the copyright may not be able to transfer the entire property in one of his copies and retain for himself an incidental power to authorize a sale of that copy, or, rather, the power of prohibi-

tion on the owner that he shall not sell it, holding that much, as a modicum of his former estate, to be protected by the copyright statute; and yet he may be entirely able, so long as he retains the ownership of a particular copy for himself, to find abundant protection under the copyright statute for his then incidental power of controlling its sale. This copyright incident of control over the sale, if I may call it so, as contradistinguished from the power of sale incident to ownership in all property—copyrighted articles, like any other—is a thing that belongs alone to the owner of the copyright itself, and as to him only so long as and to the extent that he owns the particular copies involved. Whenever he parts with that ownership, the ordinary incident of alienation attaches to the particular copy parted with in favor of the transferee, and he cannot be deprived of it. This latter incident supersedes the other—swallows it up, so to speak—and the two cannot coexist in any owner of the copy except he be the owner at the same time of the copyright; and, in the nature of the thing, they cannot be separated so that one may remain in the owner of the copyright as a limitation upon or denial of the other in the owner of the copy."

In Garst *v.* Hall & Lyon Co., 179 Mass., 588, decided October 17, 1901, without dissent, the Court, speaking of copyrights, said:

"The law of copyright also gives privileges to authors and publishers that do not pertain to property which anybody may make and sell if he can; but even under the law of copyright, when the owner of a copyright and of a particular copy of a book to which it pertains has parted with all his title to the book, and has conferred an absolute title to it upon a purchaser, he cannot restrict the right of alienation, which is one of the incidents of ownership in personal property (Harrison *v.* Maynard, 61 Fed. Rep., 689). See also Clemens *v.* Estes, 22 Fed. Rep., 899; Meyer *v.* Estes, 164 Mass., 457; Waterman Co. *v.* Waterman, 27 App. Div. (N. Y.), 133."

The same doctrine is plainly expressed in Keeler *v.* Standard Folding Bed Company, 157 U. S., 659. In that case it was held that one who purchases

patented articles of manufacture from one authorized to sell them at the place where sold becomes possessed of an absolute property in such articles, unrestricted in time or place. In that case the complainants were the assignees for the State of Massachusetts of certain Letters Patent granted to one Welch. This assignment, as matter of course, gave to the complainants the rights of the patentee in and for the State of Massachusetts, viz., the sole right to make, use and sell the patented article in that State. The Welch Folding Bed Company owned the patent rights for the State of Michigan, and it of course had the same right to make, use and vend the patented article in that State. The defendants purchased a carload of the patented articles from the Welch Folding Bed Company at Grand Rapids, in the State of Michigan. It proposed to sell these articles in the State of Massachusetts, and thereafter did sell some of such articles in the State of Massachusetts, and was engaged in selling the remainder in that State at the City of Boston when the bill of complaint was filed. The Supreme Court held that the defendants, having purchased the patented articles in Michigan from the assignee of the patent for the territory included within the boundaries of the State of Michigan, had the right to sell them anywhere within the United States, including the State of Massachusetts, notwithstanding the fact that all the patent rights for the State of Massachusetts had been assigned to another person, to wit, to the complainants. The decision is based upon the propositions that where the patentee, not having parted with his rights granted by the patent, makes and vends a patented article, the purchaser can use the article in any part of the United States, and unless restrained by contract with the patentee can sell or dispose of the same in any part of the United States. The Court says, "It has passed outside of the monopoly, and is no longer under the peculiar protection granted to patented rights." The Court approves

the language of Mr. Justice Clifford in Goodyear *v.* Beverly Rubber Co. (1 Clifford, 348–354), wherein he states, in substance, that the patentee having manufactured the article and sold it for a satisfactory compensation, the patentee, so far as that quantity of the product of his invention is concerned, has enjoyed all the rights secured to him by his Letters Patent, and the manufactured article, and the material of which it is composed, go to the purchaser for a valuable consideration, discharged of all the rights of the patentee previously attached to or impressed upon it by the law under which the patent was granted. The Court further says, "If, as is often the case, the patentee has divided the territory of the United States into twenty or more specified parts, must a person who has bought and paid for the patented article in one part, from a vendor having an exclusive right to make and vend therein, on removing from one part of the country to another, to pay to the local assignee for the privilege of using and selling his property, or else be subjected to an action for damages as a wrongdoer? And is there any solid distinction to be made, in such a case, between the right to use and the right to sell?" The Court then cites with approval several cases and especially the language of Mr. Justice Clifford in Mitchell *v.* Hawley (16 Wall., 544, 546, 547), as follows:

"Patentees acquire by their Letters Patent the exclusive right to make and use their patented inventions and to vend to others to be used for the period of time specified in the patent, but when they have made one or more of the things patented, and have vended the same to others to be used, they have parted to that extent with their exclusive right, as they are never entitled to but one royalty for a patented machine, and consequently a patentee, when he has himself constructed a machine and sold it without any conditions, or authorized another to construct, sell, and deliver it, or to construct, use, and operate it, without any conditions, and the consideration has been paid to him for the thing patented, the rule is well established that the patentee must be under-

stood to have parted to that extent with all his exclusive right, and that he ceases to have any interest whatever in the patented machine so sold and delivered or authorized to be constructed and operated. Where such circumstances appear, the owner of the machine, whether he built it or purchased it, if he has also acquired the right to use and operate it during the lifetime of the patent, may continue to use it until it is worn out, in spite of any and every extension subsequently obtained by the patentee or his assigns."

At page 666, the Court calls attention to the case of Wilson *v.* Rousseau, 4 How, 646, and says that it was there held

that "As between the owner of a patent on the one side, and a purchaser of an article made under the patent on the other, the payment of a royalty once, or, what is the same thing, the purchase of the article from one authorized by the patentee to sell it, emancipates such article from any further subjection to the patent throughout the entire life of the patent, even if the latter should be by law subsequently extended beyond the term existing at the time of the sale, and that in respect of the time of enjoyment, by those decisions the right of the purchaser, his assigns or legal representatives, is clearly established to be entirely free from any further claim of the patentee or any assignee."

The Court then says:

"Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws."

In the case now before this Court, it appears that the publisher of the book "The Castaway," printed

and sold these copies. It put them upon the market. It received its price therefore and reserved no right to demand any further compensation. The defendants purchased in the open market and paid the price demanded. It is conceded that the wholesalers of whom the defendants purchased were under no contract or obligation to impose any condition upon the defendants and they did not. There is no privity of contract between the defendants and the complainants. There is no suggestion in the notice that the retail dealer who buys the copies of the book in the open market enters into any contractual relation with the publishers. It is not stated that the copy of the book is sold on condition that the purchaser will abide by and enforce the price arrangement. The notice is assertive in its terms. It is a dictum. It says that the price of the book at retail is one dollar net. The plain meaning of this language is that if the signer of the notice sells a copy of the book or the book in question containing the notice, at retail the price is one dollar. The notice also asserts that the Bobbs-Merrill Company has not licensed any retail dealer to sell at a less price. It does not say or suggest that the Bobbs-Merrill Company has not sold millions of copies of the book for the trade parting with the title absolutely and unconditionally. This Court is aware that the Keeler case, cited above, is a patent and not a copyright case, but the principle is the same.

In a supplemental brief, filed by the counsel for the complainant, he states that he does not consider the notice published in the book as in the nature of a license. He says, "In my opinion, the putting of the book upon the market and selling it by the owner of the copyright constitutes the license; and this notice published in the book is a limitation and qualification of that license. If the book is put out without any notice, the license is unqualified and the sale is absolute; but my contention is that the owner of the copyright has the authority to restrict

the license; and, being published in this way, the restriction attaches to the property and is a charge and limitation upon the rights of all parties purchasing the book for resale." This is a claim that the owner of a copyright for a book who prints the book and sells it for a consideration, gives to the purchaser a license and does not sell and convey a piece of personal property absolutely. The contention here is that any notice printed in a book and brought to the attention of the purchaser is a restriction of that license to that extent and may be enforced, and that a violation of the obligation imposed by the notice is an infringement of the copyright which may be restrained by the Federal courts. This doctrine, it seems to this Court, is contrary to the adjudicated cases. I do not think this contention can be sustained upon principle. Clearly it is opposed to public policy. The purchaser of an article not patented may duplicate it if he can. The purchaser of an article made under a patent right may not duplicate it, but he may use the article purchased and sell the same as his own in any way or for any price he sees fit. The purchaser of a book not copyrighted may duplicate it, make copies or a reprint. The purchaser of a copyrighted book may not make or print or publish a copy, as this would be an infringement of the copyright, but this restriction in no way interferes with the absolute ownership of the particular copy of the book. The owner of an article made under a patent right or of a book printed under a copyright is in no sense a licensee of the patentee or of the owner of the copyright.

"License" with reference to real estate is a permission or authority to do a particular act or a series of acts on the land of another without possessing any estate therein. So with reference to personal property "license" implies and carries the power to do some act upon or in reference to or to do something with the property of another. Herein it

differs from an easement. The word easement always implies an interest in the land.

See Words & Phrases, Vol. 5, title, License.

WHAT IS THE PRESENT COMBINATION AND ITS OBJECT—OR PURPOSE?

1. The American Publishers' Association has adopted a net price system for all copyright books published or controlled by any member or members of the Association and made an agreement to maintain it. By this agreement the members thereof are to cut off all supply of their copyrighted books to any dealer who fails to maintain the net price of such books as fixed by such association, or what is the same thing, by its members. In short this combination fixes the price of copyrighted books published by its members, and the price at which such books are to be sold, both at wholesale and at retail, and agrees not to furnish or sell any of these books to any dealer who fails to maintain such price, that is, demand and exact from the purchaser the price so fixed.

2. Another Association, the American Booksellers' Association, assents to this, agrees to co-operate and be bound by such system and arrangement, and to aid and assist in carrying it into effect, and to this end agrees not to buy, or keep in stock, or offer for sale the copyrighted book of any publisher who refuses to join the combination and enforce this price system and demand and exact of the customer this price fixed by the combination. Two-thirds of the members of this association govern. If any member fails to live up to the agreement, &c., he may be expelled and he is not to have books, and all members are "restrained" from supplying books, &c. (see Subdivisions 4 and 5 of Exhibit I). The objects are (1) to compel the would-be owners and readers of copyrighted books to purchase their

books of the members of this combination, made up of two combinations embracing at least ninety per cent. of all publishers and dealers in copyrighted books. at an arbitrary price fixed by the combination regardless of the actual value of the book as determined by a demand therefor established in a free and open market or the condition of the books. (2.) To compel all publishers of and dealers in copyrighted books to come into the combination, submit to and be controlled by it, and sell books at prices fixed by it, regardless of the value of the books, &c., or of the exigencies of the trade and situation of the seller, or be deprived of the privilege of purchasing, owning and selling such books. In short, such as refuse to come in are to be crippled or perhaps ruined in their business. As the combination extends throughout the United States by the very terms of the agreement interstate commerce is necessarily restrained. A judgment for the complainants in this action will restrain interstate commerce.

If this suit is one to restrain the infringement of a copyright granted to the complainant and now owned by it, by the doing of any act that constitutes infringement of that right, and defendant has infringed, it is entirely immaterial, that the combination described exists, or that complainant is a member thereof or that its objects are those described.

It is no defense to such a trespass upon the complainants' rights that it has violated and is violating the Sherman anti-trust law, Act of July 2, 1890 (26 St., 209; U. S. Comp. St., 1901, p. 3200), or some statute of the State of New York. In General Electric Co. *v.* Wise, 119 Fed. Rep., 922-924, this Court so held, citing cases. This Court there said:

"It is difficult to understand how or why a violation of the Sherman anti-trust law by this complainant, if there has been such a violation, confers any right on the defendant to infringe this patent. That act points out the penalties for its violation, and it is not understood that such law denies the grantees of patents the protection of the law,

because they may be violating some statute, However that may be, the evidence falls far short of establishing such a violation by this complainant. The testimony on that subject is squarely contradicted. An individual cannot confiscate the property or property right of a corporation on the ground it has violated that act (Soda Fountain Co. *v.* Green (C. C.), 69 Fed., 333; Columbia Wire Co. *v.* Freeman Wire Co. (C. C.), 71 Fed., 302; Bement *v.* Harrow Co., 186 U. S., 70, 88–91, 22 Sup. Ct., 747, 46 L. Ed., 1058; Harrow Co. *v.* Quick (C. C.), 67 Fed., 131, cannot be accepted as authority on this question."

See also Strait *v.* National Harrow Co., 51 Fed. Rep., 819.

But if the complainant has turned over to the combination the fixing of prices and has entered into the combination described and becomes a party to the agreement for the purposes described, and is now, through this suit, attempting, as this Court holds it is, to enforce such combination agreement in whole or in part, and such agreement is unlawful because in violation of the act referred to, then this action cannot be maintained. The complainant confessedly is a party to the combination and the agreement, and cannot, if it be illegal, have a standing in a court of equity to enforce any part of it directly or indirectly. When a complainant comes into court asking equity it must come with clean hands so far as the transaction involved is concerned. If a party, person or corporation, in attempting to violate the rights of the public and the rights of those persons who will not join in the attempted violation of law, suffers some injury to his property or property rights which are being used by his consent by those who are thus violating the law, in perpetrating such violation, at the hands of one who is lawfully resisting such attempted injury, he or it cannot, while continuing the illegal acts, have an injunction to enjoin the resisting acts resulting in such injury. Each owner of the copyright of a book has a monopoly of that particular book. Copyrights, like patents,

are assignable, and hence a person or a corporation may lawfully become the owner of any number of copyrights or of all the copyrights of books issued by the United States, and it is immaterial that the purpose is to monopolize the whole business of publishing and selling copyrighted books. In such case such person or corporation would hold and control all the monopolies for such copyrights of books and he or it could print and sell, or print and not sell, or refuse to print at all, or refuse to allow others to print or publish. Should he or it print or publish one or more copies of these books such person or corporation could appoint agents to sell and prescribe and limit their powers. He or it could license one or more persons to sell and prescribe the terms and conditions of such sale, and limit the price at which same should be sold. Assume that such person or corporation has fixed the price at which such book shall be sold at retail by such agents and licensees and may restrain a disposition of such books in violation of the conditions we have no combination or conspiracy. One man cannot combine or conspire. It takes two or more to make a combination or a conspiracy. So an agreement by all holders of copyrights to assign same to one person or corporation is but a sale of their own, and they may take pay in cash, horses, scrap iron or licenses to sell the copyrighted book provided they actually sell their copyrights. If the agreement be a mere pretence, however, a mere cover for a combination to violate some statute, then such agreement to sell their copyrights would be void and the whole combination would be illegal and void. So one person may purchase and own all the hay, oats or potatoes existing in the country. If he becomes such owner he may fix the price at which he will sell. Here there is no conspiracy or illegal combination. But if the several owners of such produce combine and agree that they will fix prices, interfere with and limit interstate commerce, drive all other dealers

and owners of similar property who will not join them in their purposes out of business and deprive them, if possible, of their right to purchase and ship produce from State to State as a part of interstate commerce, we undoubtedly have an illegal combination, and no member of such a conspiracy can enforce in a court of equity any contract or agreement made in execution, in whole or part, of such a conspiracy. It is evident that one may do, in fixing and enforcing prices, and in exacting tribute from the people and restraining interstate commerce, what two or more cannot do in pursuance of an agreement or combination. A corporation on becoming the owner of several patents or of several copyrights may do all acts under each that the person to whom such rights were originally granted might have done. Having become the owner it is entitled to the benefits and privileges of the monopolies granted. But all this affords no sanction or support whatever to the doctrine that the several owners of distinct patents, each having a monopoly of his particular patent, or the several owners of distinct copyrights, each having a monopoly of his particular copyright, may combine and conspire as to their patented articles or as to their copyrights or books published under and protected thereby to restrain interstate commerce in articles made or produced thereunder. A right or privilege to form such a combination or conspiracy is not embraced or included within the monopoly granted. The monopoly of one patentee cannot be extended and made more of a monopoly by that of another. The grant of an exclusive right to make and vend a certain machine does not include a license to combine and conspire with another having a like exclusive right to restrain trade and commerce between the States in those articles if made and put on the market or to conspire not to put them on the market. The right to elect not to make or sell is necessarily included. The right to combine and conspire is not. In any event, the so-called Sherman Law forbids

any and all combinations in restraint of such commerce.

In the case of copyrighted books it is evident that if the publisher of one or two should demand and exact of the purchaser at retail a grossly unreasonable price he would sell but few if any copies. Others would supply the market, for readers would forego that book or those books and find reading matter elsewhere. But when all publishers of and dealers in copyrighted books—and nearly all new books are now copyrighted—combine to exact a fixed arbitrary price, &c., the readers of books become powerless, if they would read at all, not because of the monopoly granted or sanctioned by the government in granting the copyright, but because of the new monopoly (the conspiracy of monopolists), created by the agreement and combination of these monopolists, one that is forbidden and denounced by the Act of July 2, 1890 (26 St. L., 209), entitled "An act to protect trade and commerce against unlawful restraints and monopolies." Section 1 of that act reads:

"Every contract, combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce amongst the several States, or with foreign nations, is hereby declared to be illegal."

It is not necessary that the effect necessarily be to restrain trade or commerce. It is sufficient if the combination may have that effect. It seems to this Court impossible to hold that this section of the act does not apply to a combination of patentees to restrain trade and commerce in patented articles made under their patents as much as to such a combination made by dealers in other articles of commerce.

In 1 Paige on Contracts, Sec. 445, page 698, after a statement regarding the law as to "Monopoly Contracts concerning Patents" it is said "But if the owners of distinct patents combine to prevent com-

petition in business, and to control the price of the patented article, such combinations and all contracts for such purposes are as invalid as if the articles were not patented." The following cases are cited to sustain the statement: National Harrow Co. *v.* Hench, 83 Fed Rep., 36; 27 C. C. A., 349; 55 U. S. App., 53; 39 L. R. A., 299; National Harrow Co. *v.* Quick, 67 Fed. Rep., 130; Vulcan Powder Co. *v.* Powder Co., 96 Cal., 510; 31 Am. St. Rep., 242; Gamewell, &c., Co. *v.* Crane, 160 Mass., 50; 22 L. R. A., 673.

In 1 State and Federal Control of Persons and Property (Tiedman), 412-413, it is said: "But the mere fact that the subject matter of the monopolistic combination may be patent rights, covering machines employed in the same art or industry, will not protect the combination from the penal provisions of the anti-trust laws. If a corporation or association is formed among manufacturers and patentees of certain articles of kindred character in order to control the trade and prices of such articles, the combination is nevertheless illegal although the exclusive manufacture of the goods is guaranteed by letters patent from the United States government." At the time of that writing, 1900, the author was not aware of the decision in Bement *v.* National Harrow Co., 186 U. S., 70, which modifies some of the cases cited by him, but not in respect to the general doctrine stated.

In Bement *v.* Harrow Co., *supra*, the Court, at page 94, plainly intimates that the several owners of several patents may not combine to restrain commerce in their patented articles. It is unnecessary to cite many cases. If Montague & Co. *v.* Lowry, 193 U. S., 38, and Northern Securities Company *v.* United States, 193 U. S., 197, are to be respected as law and followed in cases where there is no hue and cry against railroads, this combination is illegal as in restraint of interstate commerce.

If anything can be found in the prevailing opinion in John D. Park & Sons Co. *v.* The Wholesale

Druggists' Association *et al.*, 175 N. Y., 1, supporting the contention of the complainants here, it is sufficient to say that this Court does not agree with the prevailing opinion or decision in that case, but does agree with the dissenting opinions of Martin, *J.*, and Cullen, *C. J.*, with whom Vann, *J.*, concurred.

The defendants have not infringed and are not threatening to infringe complainants' copyright, nor have they violated any contract. The complainant is seeking to enforce against defendants an unlawful combination agreement to which such defendants are not parties and by which they have not consented to be bound in selling books of which they are the absolute owners. The same result on a similar state of facts as to the effect of such notice was reached by the Court in Bobbs-Merrill Co. *v.* Snellenburg, 131 Fed. Rep., 530.

The defendants are entitled to a decree dismissing the complaint, with costs.

(Endorsed)—United States Circuit Court, Southern District of New York.—The Bobbs Merrill Company *vs.* Isidor Straus and Nathan Straus, copartners under the firm name of R. H. Macy & Co.—Opinion.—Geo. W. Ray, U. S. Judge.—U. S. Circuit Court, Southern District New York. Filed Jul. 11, 1905. John A. Shields, Clerk.

UNITED STATES CIRCUIT COURT,

SOUTHERN DISTRICT OF NEW YORK.

THE BOBBS-MERRILL COMPANY,
Complainant,

AGAINST

ISIDOR STRAUS and NATHAN STRAUS, co-partners under the firm name of R. H. Macy & Co.,
Defendants.

In Equity.

This cause having come on to be heard on the 16th day of January 1905, upon the pleadings and proof, and W. H. H. Miller, Esq., Albert B. Boardman, Esq., and Henry W. Clark, Esq., having been heard on behalf of the complainant, and Hon. John G. Carlisle and Edmond E. Wise, Esq., having been heard on behalf of the defendants, and due deliberation having been had, it is

Ordered, adjudged and decreed that the bill of complaint herein be and the same hereby is dismissed, with costs to defendants to be taxed.

August 11, 1905.

GEO. W. RAY,
U. S. Judge.

(Endorsed).—U. S. Circuit Court, Southern District of New York.—The Bobbs-Merrill Company, Complainant *vs.* Isidor Straus & ano., Defendants.—Decree.—Spiegelberg & Wise, Solicitors for Defendants, 19 William Street, New York.—U. S. Circuit Court, Southern District New York.—Filed Aug. 12, 1905, John A. Shields, Clerk.

UNITED STATES CIRCUIT COURT,

SOUTHERN DISTRICT OF NEW YORK.

THE BOBBS-MERRILL COMPANY,
Complainant,

AGAINST

ISIDOR STRAUS and NATHAN STRAUS, co-partners, doing business under the firm name of R. H. Macy & Company.
Defendants.

The Bobbs-Merrill Company, complainant above named, feeling itself aggrieved by the final decree made in the above entitled cause in equity, dated the 11th day of August, 1905, and filed in the office of the Clerk of this Court on the 12th day of August, 1905, whereby it was adjudged and decreed that the bill of complaint herein be dismissed, with costs to the defendants, now comes by Boardman, Platt & Soley, its solicitors, and petitions this Court for an order allowing said complainant to prosecute an appeal from said decree to the Circuit Court of Appeals of the United States in and for the Second Judicial Circuit, under and according to the laws of the United States in this behalf made, and prays that this appeal may be allowed and that a transcript of the record and proceedings upon which said decree was made, duly authenticated, may be sent to the Circuit Court of Appeals of the United States for the Second Judicial Circuit.

Dated, September 7, 1905.

BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant,
35 Wall Street,
N. Y. City.

The foregoing appeal is hereby allowed this 7th day of September, 1905.

E. H. LACOMBE,
U. S. Circuit Judge.

(Endorsed)—United States Circuit Court, Southern District of New York.—The Bobbs-Merrill Company, Complainant, against Isidor Straus and Nathan Straus, &c., Defendants.—Petition of Appeal and Allowance.—Boardman, Platt & Soley, Solicitors for Complainant, No. 35 Wall Street, New York City.—Copy received Sep. 8, 1905. Spiegelberg & Wise, Solicitors for Defts.—U. S. Circuit Court, Southern District New York.—Filed Sep. 8. 1905, John A. Shields, Clerk.

UNITED STATES CIRCUIT COURT,

SOUTHERN DISTRICT OF NEW YORK.

THE BOBBS-MERRILL COMPANY, Complainant, AGAINST ISIDOR STRAUS and NATHAN STRAUS, co-partners, doing business under the firm name of R. H. Macy & Co.	In Equity.

The Bobbs-Merrill Company, complainant above named, by Boardman, Platt & Soley, its solicitors, in connection with its petition of appeal to the Circuit Court of Appeals of the United States in and for the Second Circuit, from the final decree of the United States Circuit Court in and for the Southern District of New York, filed in the office of the Clerk of this Court on the 12th day of August, 1905,

makes the following assignment of errors in said decree.

FIRST.—The Court erred in finding as a fact that the printing of the restrictive notice in the "The Castaway," is an act done by the complainant in combination with the American Publishers' Association and the American Booksellers' Association, and the members thereof, in execution of the alleged combination and agreement of said Associations, and for the purpose of enforcing it and because of the said alleged combination and agreement, there being no evidence in the record tending to prove such finding.

SECOND.—The Court erred in finding as a fact that said notice was printed in the "The Castaway," and its enforcement attempted in this suit as an attempt by complainant as a member of the American Publishers' Association to enforce against the defendants the rules of such association and combination fixing prices in an effort to maintain them, and as a part of a scheme, there being no evidence in the record tending to prove such finding.

THIRD.—The Court erred in deciding that the right of the complainant to maintain this suit depends upon the validity of the plans and agreements of the American Publishers' Association.

FOURTH.—The Court erred in not deciding that the affirmative matter pertaining to the alleged combinations and agreements and complainant's connection therewith, pleaded in the defendants' answer, and the facts stipulated in proof thereof, are irrelevant and constitute no defense.

FIFTH.—The Court erred in deciding that the agreement and plan of the American Publishers' Association, as modified and amended in March, 1904, and embodied in Exhibit H of the stipulation of

facts, and the acts done by the members of said Association in execution thereof, were illegal and in restraint of interstate commerce.

SIXTH.—The Court erred in deciding that the agreement and plan of the American Publishers' Association, as modified and amended in March, 1904, and embodied in Exhibit H of the stipulation of facts, and the acts done by the members of said Association in execution thereof, violated the act of July 2, 1890 (26 Statutes at Large, 209).

SEVENTH.—The Court erred in deciding that the American Publishers' Association was at the time of the commencement of this suit and still is an unlawful combination, and that the complainant was at the time of the commencement of this suit and still is a member of and a party to an illegal combination and seeking to enforce in this suit an unlawful combination agreement.

EIGHTH.—The Court erred in holding that the notice printed in each copy of the "The Castaway" does not refer to the particular copy of the book in which such notice is found.

NINTH.—The Court erred in deciding that the notice printed by complainant in each copy of the "The Castaway" is not effective and sufficient to limit the title of the defendants to copies acquired by them and to restrict the right of the defendants to resell such copies at retail to the price specified in the notice.

TENTH.—The Court erred in deciding that the restriction and condition expressed in the said notice does not attach to all copies of the said book as a charge and limitation upon the rights of all parties purchasing the books for resale.

ELEVENTH.—The Court erred in deciding that the defendants' title to copies of the "The Castaway" is not a conditional and restricted title.

TWELFTH.—The Court erred in deciding that the defendants did not acquire and hold their copies of the "The Castaway" under a qualified and limited license to resell, subject to the terms of the notice printed in each copy thereof.

THIRTEENTH.—The Court erred in deciding that defendants by reselling and offering for sale at retail copies of "The Castaway" at a price less than $1 net per copy, acquired with full knowledge of the notice printed in each copy thereof, did not infringe the copyright of "The Castaway" owned by complainant.

FOURTEENTH.—The Court erred in deciding that it is not an infringement of the copyright of a book for a dealer to sell copies thereof, lawfully printed, in violation of a condition imposed upon him by the publisher owning the copyright by which such dealer agrees or is bound not to sell such copies below a certain price.

FIFTEENTH.—The Court erred in deciding that the imposition of a limitation upon the license to sell a copyright book, by means of a restrictive notice printed in the book, is opposed to public policy.

SIXTEENTH.—The Court erred in deciding that the notice printed in each copy of the "The Castaway" forms no part of a contract between the complainant and defendants, and that no contractual relation exists between the complainant and the defendants.

SEVENTEENTH.—The Court erred in deciding that the defendants have violated no contract with or obligation to the complainant.

EIGHTEENTH.—The Court erred in deciding that the Court would be lending itself to the perpetration of a fraud upon the public if it should hold that the notice printed in the "The Castaway" operated to

restrict or limit the defendants' title or to create any contractual relation between the complainant and the defendants.

NINETEENTH.—The Court erred in holding and in making and entering its final decree that upon the pleadings and evidence complainant was not entitled to any relief in equity against defendants and that complainant's bill be dismissed for want of equity.

TWENTIETH.—The Court erred in refusing by its final decree to grant to complainant an injunction as prayed in its bill of complaint.

TWENTY-FIRST.—The Court erred in making and entering its final decree dismissing complainant's bill for want of equity, and ordering and adjudging that the complainant pay the costs of suit.

Wherefore, complainant prays that the final decree herein be reversed and a decree entered in accordance with the prayer of the bill of complaint, and for such other and further relief as may be equitable.

Dated September 7, 1905.

BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant,
35 Wall Street,
New York City.

(Endorsed)—United States Circuit Court, Southern District of New York.—The Bobbs-Merrill Company, Complainants, against Isidor Straus and Nathan Straus, copartners, &c., Defendants.—Assignment of Errors.—Boardman, Platt & Soley, Solicitors for Complainant, No. 35 Wall St., New York.—U. S. Circuit Court, Southern District of New York.—Filed Sep. 7, 1905.—John A. Shields, Clerk.

UNITED STATES CIRCUIT COURT,

SOUTHERN DISTRICT OF NEW YORK.

THE BOBBS-MERRILL COMPANY,
Complainant,

AGAINST

ISIDOR STRAUS and NATHAN STRAUS, copartners doing business under the firm name of R. H. Macy & Co.,
Defendants.

KNOW ALL MEN BY THESE PRESENTS:

That the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, a corporation organized under the laws of the State of Maryland, and having an office and principal place of business for the State of New York at No. 35 Wall street, in the Borough of Manhattan, in the City of New York, is held and firmly bound unto Isidor Straus and Nathan Straus, copartners doing business under the firm name of R. H. Macy & Co., of the City of New York, in the sum of five hundred dollars ($500), to be paid to the said Isidor Straus and Nathan Straus, their executors, administrators or assigns, for the payment of which well and truly to be made, it binds itself, its successors and assigns, firmly by these presents.

Sealed with its seal, and dated this first day of September, nineteen hundred and five.

WHEREAS, The Bobbs-Merrill Company has appealed to the Circuit Court of Appeals of the United States for the Second Judicial Circuit, from a final decree of the United States Circuit Court in and for the Southern District of New York, in equity, filed

in the office of the Clerk of said Court on the 12th day of August, 1905, dismissing the bill of complaint of said The Bobbs-Merrill Company against said Isidor Straus and Nathan Straus, copartners doing business under the firm name of R. H. Macy & Co., with costs, which have been adjusted by the Clerk of said Court at the sum of one hundred seventy-six and $\frac{17}{100}$ dollars ($176.17);

NOW, THEREFORE, the condition of this obligation is such that if the above named The Bobbs-Merrill Company shall prosecute its said appeal to effect, and answer all damages and costs, if it shall fail to make its plea good, then this obligation to be void, otherwise to remain in full force and virtue.

FIDELITY AND DEPOSIT COMPANY OF MARYLAND,
By HENRY B. PLATT,
Vice-President.

[SEAL.]

Attest:
HUGH M. ALLWOOD,
Attorney-in-Fact.

STATE OF NEW YORK, }
County of New York, } ss.:

On the first day of September, in the year 1905, before me personally came HENRY B. PLATT, to me known, who, being by me duly sworn, did depose and say, that he resided in the City of New York; that he was the Vice-President of the Fidelity and Deposit Company of Maryland, the corporation described in, and which executed the within instrument; that he knew the seal of said corporation; that the seal affixed to said instrument was such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order; and that the liabilities of said Company do not exceed its assets as ascertained in the manner provided in Section 3, of Chapter 720, of the Session Laws of the State of New York, for the year 1893. And the said Henry B. Platt further said that he was acquainted with

Hugh M. Allwood, and knew him to be the Attorney-in-Fact of said Company; that the signature of the said Hugh M. Allwood, subscribed to the within instrument, was in the genuine handwriting of the said Hugh M. Allwood, and was subscribed thereto by like order of the Board of Directors, and in the presence of him, the said Henry B. Platt.

ERNEST L. HICKS,
[SEAL.] Notary Public,
New York County.

At a regular and lawful meeting of the Board of Directors of the Fidelity and Deposit Company of Maryland, at which a quorum was present, held at the office of the Company, in the City of Baltimore, State of Maryland, on the sixth day of March, 1901, on motion, it was unanimously

"*Resolved*, That in pursuance of Section eight "hundred and eleven of the Code of Civil Procedure "of the State of New York, Henry B. Platt, Vice-"President, or George Sewell Bonner, Attorney, or "Frank H. Platt, Edward T. Platt, Joseph A. "Flynn, Hugh M. Allwood and James R. Kingsley, "Attorneys-in-Fact of this Company, in the State of "New York, be, and each of them is, hereby au-"thorized and empowered to sign, execute and de-"liver any and all bonds or undertakings for "or on behalf of this Company, and to attach "thereto the seal of the corporation, the same to be "attested by the said George Sewell Bonner, Attor-"ney of the Company, or by either one of the other "persons above named, as occasion may require."

County of New York, ss.:

I, HUGH M. ALLWOOD, Attorney-in-Fact, of the Fidelity and Deposit Company of Maryland, have compared the foregoing Resolution with the original thereof, as recorded in the Minute Book of said Company, and DO HEREBY CERTIFY that the same is a true and correct transcript therefrom, and of the whole of the said original Resolution. Given under

my hand and the seal of the Company, at the City of New York, this 1st day of September, 1905.

HUGH M. ALLWOOD,
Attorney-in-Fact.

[SEAL.]

FIDELITY AND DEPOSIT COMPANY OF MARYLAND.

STATEMENT, MARCH 31st, 1905.

RESOURCES.		LIABILITIES.	
Real Estate.....	$738,000 00	Capital Stock.....	$2,000,000 00
Stocks and Bonds...	3,288,392 00	Surplus and Undivided Profits	2,987,113 60
Railroad Bonds.....	1,575,500 00	Premium Reserve...	706,626 18
Net Premiums Due..	170,862 89	Claims in Process of Adjustment.....	1,082 44
Cash in Bank, &c...	155,655 72	Claims reported...	233,088 89
	$5,927,910 61		$5,927,910 61

STATE OF NEW YORK, }
County of New York, } ss.:

HUGH M. ALLWOOD, being duly sworn, says that he is the Attorney-in-Fact of the Fidelity and Deposit Company of Maryland; that the foregoing is a true and correct statement of the financial condition of said Company, as of March 31st, 1905, to the best of his knowledge and belief, and that the financial condition of said Company is as favorable now as it was when such statement was made.

HUGH M. ALLWOOD.

Subscribed and sworn to before me this 1st day of September, 1905.

ERNEST L. HICKS,
Notary Public,
New York County.

[SEAL]

(Endorsed)—United States Circuit Court, Southern District of New York.—The Bobbs-Merrill Company, Complainant, against Isidor Straus and Nathan Straus, copartners doing business under the firm name of R. H. Macy & Co., Defendants.—Bond.—Within Bond approved as to form, amount and sufficiency of the surety.

E. H. Lacombe, U. S. Circuit Judge.—U. S. Circuit Court, Southern District New York.—Filed Sep. 7, 1905.—John A. Shields, Clerk.

UNITED STATES OF AMERICA, ss.:

THE PRESIDENT OF THE UNITED STATES TO ISIDOR STRAUS AND NATHAN STRAUS, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME OF R. H. MACY & COMPANY, GREETING:

You are hereby cited and admonished to be and appear before a United States Circuit Court of Appeals for the Second Circuit, to be holden at the Post Office Building, in the Borough of Manhattan, City and State of New York, on the 7th day of October, 1905, pursuant to a petition of appeal duly allowed, filed in the office of the Clerk of the United States Circuit Court, in and for the Southern District of New York, on the 7th day of September, 1905, in that certain cause in equity wherein The Bobbs-Merrill Company is complainant and appellant and you are defendants and appellees, to show cause, if any there be, why the final decree in said suit, filed in the office of the Clerk of the United States Circuit Court in and for the Southern District of New York, on the 12th day of August, 1905, dismissing the bill of complaint, should not be corrected and reversed, and why speedy justice should not be done to the complainant and appellant in that behalf.

Witness the Hon. E. HENRY LACOMBE, Judge of the United States Circuit Court in and for the Southern District of New York, this 7th day of September, 1905.

E. H. LACOMBE,
United States Circuit Judge.

BOARDMAN, PLATT & SOLEY,
Solicitors for Complainant and Appellant,
35 Wall Street,
New York City.

(Endorsed)—United States Circuit Court, Southern District of New York.—The Bobbs-Merrill Com-

pany, Complainant, against Isidor Straus and Nathan Straus, Defendants.—Citation.—Boardman, Platt & Soley, Solicitors for Complainant, No. 35 Wall Street, New York City.—Copy received Sep. 8, 1905. Spegelberg & Wise, Solicitors for Defts.—U. S. Circuit Court, Southern District of New York.—Filed Sep. 7, 1905.—John A. Shields, Clerk.

UNITED STATES OF AMERICA, }
Southern District of New York, } ss.:

I, JOHN A. SHIELDS, Clerk of the Circuit Court of the United States of America, for the Southern District of New York, in the Second Circuit, do hereby certify that the foregoing pages, numbered from one to 160, inclusive, contain a true and complete transcript of the record and proceedings had in said Court, in the cause entitled The Bobbs-Merrill Company, complainant-appellant, against Isidor Straus and Nathan Straus, copartners, doing business under the firm name of R. H. Macy & Company, defendants-appellees, as the same remain of record and on file in my office.

In testimony whereof, I have caused the seal of the said Court to be hereunto affixed, at the City of New York, in the Southern District of New York, in the Second Circuit, this 18th day of September, in the year of our Lord one thousand nine hundred and five, and of the Independence of the said United States the one hundred and thirtieth.

JOHN A. SHIELDS,
Clerk.

[SEAL.]

United States Circuit Court of Appeals for the Second Circuit.

Nos. 189, October Term, 1905.

Argued April 4, 1906.

Decided June 16, 1906.

THE BOBBS-MERRILL COMPANY, Complainant-Appellant,
vs.
ISIDOR STRAUS and NATHAN STRAUS, Trading as R. H. Macy & Company, Defendants-Appellees.

Appeals from the Circuit Court of the United States for the Southern District of New York.

Before Judges Wallace, Townsend, and Coxe.

This cause comes here on appeal from a decree of the United States Circuit Court for the Southern District of New York, dismissing bill alleging infringement of copyright.

TOWNSEND, *Circuit Judge:*

The material facts herein are undisputed, and are as follows:

Complainant is an Indiana corporation engaged in the business of publishing and selling books; it was the owner and proprietor of a novel entitled "The Castaway," by Hallie Erminie Rives, which it caused to be duly copyrighted and published. On each copy of the published book was printed, on the page following the title page, the following notice:

"The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.

"THE BOBBS-MERRILL COMPANY."

The defendants purchased copies of said book for sale at retail, ninety per cent. of which were purchased at wholesale at a rebate from the retail price of about forty per cent., the wholesalers and the defendants knowing that the book was copyrighted and knowing of the printed notice. It is admitted that none of the wholesalers were required to enforce a compliance with the terms of such notice by retail dealers or to restrict their sales to such retail dealers only as would agree to observe the terms of said notice. The defendants sold copies of said book at the uniform retail price of 89 cents a copy. Complainant has brought this suit, claiming infringement of its copyright, to restrain defendants from selling the book at any price other than that fixed in the notice, and asking for an accounting.

The defenses material to this discussion are that the acts complained of do not constitute a violation of the rights secured to com-

plainant by the statutes relating to copyright, and that complainant's remedy, if any, is at law, and not in equity.

The general question argued is as to the right of a proprietor of a copyright book, by fixing, to each copy sold, a notice that no dealer is licensed to sell it at less than a specified price, and that "a sale at a less price will be treated as an infringement of the copyright," to maintain an action in equity against a defendant, who buys the book, with knowledge of the restrictive terms, for the purpose of selling it at a reduced price and who actually sells it below the price specified in the notice.

The argument, on the one hand, is that the copyright statute gives to the proprietor the exclusive right of "vending" the book and, consequently, empowers him to exercise that right, under such restrictions as he chooses to affix to its exercise, by a general notice of rights asserted under the copyright law, and that a purchaser, who buys the book with notice of the restriction, acquires only a qualified right, and becomes an infringer when he disregards the restriction. In other words, the argument is that the purchaser becomes merely a licensee, and, when he disregards the terms of his license, becomes a user without authority, and may be enjoined against infringement of copyright.

The argument, on the other hand, is that the copyright statute only gives to the proprietor the exclusive right of vending which inheres at common law to every owner of property, whether tangible or incorporeal, and when he exercises it confers on the purchaser the ordinary incidents of ownership of personal property, among which is the right of alienation or to do what he pleases with his own; and that the owner of the copyright cannot by such a notice separate the right of alienation from the property so that it will remain in him, while the general right of property passes to a purchaser from his vendee, and especially when the original vendee is under no obligation to enforce said terms upon subsequent purchasers, and in the absence of proof of assent by such purchasers to said terms.

The contention by complainant of a right of restricted publication, such as is here sought, disregards the fundamental distinction between the common law right of literary property, commonly called common law copyright, and copyright under the statute.

"A copyright is an incorporeal right to print and publish. Ager *v.* Murray (105 U. S., 126). It is a property in notion, without corporeal, tangible substance. Miller *v.* Taylor (4 Burr, 2303). This property is a different and independent right, detached from the corporeal property out of which it arises. Stephens *v.* Cady (14 How., 528). Each of these is capable of existing and being owned and transferred, independent of the other. Stevens *v.* Gladding (17 How., 447)." Werckmeister *v.* American Lithographic Co. (134 Fed., 321, 323, 324).

"The property of an author in his intellectual production is absolute until he voluntarily parts with all or some of his rights. There is no principle of law by which he can be compelled to publish it or to permit others to enjoy it. He has a right to exclude all per-

sons from its enjoyment; and, when he chooses to do so, any use of the property without his consent is a violation of his rights. He may admit one or more persons to its use, to the exclusion of all others; and, in doing so, he may restrict the uses which shall be made of it. He may give a copy of his manuscript to another person, without parting with his literary property in it. He may circulate copies among his friends, for their own personal enjoyment, without giving them or others the right to publish such copies." Drone on Copyright, 102, 103.

The argument of complainant rests upon an assumed identity of common law rights and statutory copyright. But in this view we think it is in error.

"The two rights do not co-exist in the same composition; when the statutory right begins, the common-law right ends. Both may be defeated by publication." Drone on Copyright, 100.

The owner of the common law copyright has a perpetual right of property and the exclusive right of first general publication, and may, prior thereto, enjoy the benefit of a restricted publication without forfeiture of the right of general publication. Thus, he may communicate the contents of his work under restrictions without forfeiture of the right. This communication of contents under restriction, known as a restricted or limited publication, is illustrated by lectures to classes of students, dramatic performances before a select audience, exhibition of paintings in private galleries, private circulation of copies of manuscript, &c. Werckmeister *v.* American Lithographic Co., *supra*.

"The copies which were given to the members of the committee on ceremonies and to a so-called 'Literary Committee' were delivered to them solely to enable them to decide whether the poem was one suitable and worthy of their acceptance as the ode to be delivered at the opening exercises. Such a delivery of copies of a literary production is not a publication, and could not prejudice the owner's common-law rights. Bartlette *v.* Crittenden (4 McLean, 300, Fed. Cases No. 1,082); Bartlett *v.* Crittenden (5 McLean, 32, Fed. Cases No. 1,076)." Press Publishing Co. *v.* Monroe (73 Fed., 196).

On the other hand, the surrender of the perpetual right is a condition precedent to the enjoyment of statutory copyright. The common law right is lost by the general publication or unrestricted sale of a single copy; the statute protects the owner in the unrestricted publication and sale of all copies during the term of the copyright.

The right to copyright, which exists at common law, has been superseded by statute. Holmes *v.* Hurst (174 U. S., 82). Where the owner of the common law copyright elects to substitute the protection of the statute for that of the common law, he, upon publication, abandons or surrenders his common law rights, including said right of limited publication, in exchange for the statutory right, the exclusive right to multiply copies.

He

"cannot have at the same time the benefit of the copyright statute and also retain (his) common law right. No proposition is better

settled than that a statutory copyright operates to divest a party of the common law right." Jewelers' Mercantile Agency *v.* Jewelers' Publishing Co. (155 N. Y., 241, 247).

The statute does not permit the owner of the copyright by attempted restrictions upon the use of copies, to retain in himself forever the common law right of first publication. Jewelers' Mercantile Agency *v.* Jewelers' Publishing Co., *supra.*

The peculiar right conferred by statutory copyright is to multiply copies after publication, to the exclusion of others. Palmer *v.* De Witt (47 N. Y., 532, 536).

"Copyright may be defined as the sole and exclusive liberty of multiplying copies of an original work of composition." Coppinger Law of Copyright, 3rd Ed., 1.

This right was not reserved by the common law. Wheaton and Donaldson *v.* Peters and Grigg (8 Peters, 725).

The common law right of first publication and its incident of restricted publication were sufficient for the protection of authors prior to the invention of printing. Thereafter, when the substantial profit to be derived from literary property consisted in the multiplication of copies by printing, the statutory protection was substituted for the common law protection, upon the condition precedent of the surrender of the common law right.

That this is the sole right conferred by statute, as distinguished from such common law rights as inhere in the ownership of other property, is evident from the language of the Statutes, and from the decisions.

Section 4,952 provides that the author of a book, his executors, administrators, or assigns, shall have

"The sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and vending the same."

Section 4,964, Revised Statutes, provides as follows:

"Every person, who, after the recording of the title of any book and the depositing of two copies of such book, as provided by this act, shall, contrary to the provisions of this act, within the term limited, and without the consent of the proprietor of the copyright first obtained in writing, signed in the presence of two or more witnesses, print, publish, dramatize, translate, or import, or knowing the same to be so printed, published, dramatized, translated, or imported, shall sell or expose to sale any copy of such book, shall forfeit every copy thereof to such proprietor, and shall also forfeit and pay such damages as may be recovered in a civil action by such proprietor in any court of competent jurisdiction."

There are many decisions and dicta which assert and support the view that the peculiar statutory protection granted to the author or proprietor is the right of multiplication of copies.

"The copyright is an exclusive right to the multiplication of the copies, for the benefit of the author or his assigns, disconnected from the plate, or any other physical existence. It is an incorporeal right to print and publish the map, or, as said by Lord Mansfield in Miller

v. Taylor (4 Burr., 2,396), 'A property in notion, and has no corporeal, tangible substance.'" Stephens *v.* Cady (14 How., 528, 530). Stevens *v.* Gladding (17 How., 447).

"A copyright secures the proprietor against the copying, by others, of the original work." Johnson *v.* Donaldson (3 Fed., 22).

A dictum of the Supreme Court in Perris *v.* Hexamer (99 U. S., 674) is as follows:

"A copyright gives the author or the publisher the exclusive right of multiplying copies of what he has written or printed. It follows that to infringe this right a substantial copy of the whole or of a material part must be procured."

In Publishing Co. *v.* Smythe (27 Fed., 914) it is held that where the ownership of a particular copy is parted with the transferee cannot by restrictive notices be deprived of the ordinary incidents of alienation attached to the particular copy.

"The law of copyright also gives privileges to authors and publishers that do not pertain to property which anybody may make and sell if he can; but even under the law of copyright, when the owner of a copyright and of a particular copy of a book to which it pertains, has parted with all his title to the book, and has conferred an absolute title to it upon a purchaser, he cannot restrict the right of alienation, which is one of the incidents of ownership in personal property." Garst *v.* Hall & Lyon Co. (179 Mass., 588, 591).

In Harrison *v.* Maynard, Merrill & Co. (61 Fed., 689) this court held as follows:

"The owner of a copyright, who has transferred the title to copyrighted books under an agreement restricting their use, cannot restrain, by virtue of the copyright statutes, sales of said books, in violation of the agreement; he is confined to his remedies for the breach of contract."

This case is cited with approval in the opinion of the Circuit Court of Appeals for the Seventh Circuit in Doan *v.* American Book Co. (105 Fed., 772). To the same effect is the decision in the suit by this complainant against Snellenberg (131 Fed., 530).

The complainant herein is attempting by a mere notice to import into the statutory copyright a right of limited publication or of restriction upon use, which was abandoned by virtue of the surrender of the common law copyright.

Counsel for complainant argues as follows:

"To justify their sale by the proprietor's publication of the books, defendants must show an unqualified and absolute publication. But there was no unqualified publication, offer or distribution of the 'Castaway.' It was offered and published subject to the restrictions and limitations expressed in the notice."

We cannot assent to the latter assertion. We think, in view of the foregoing considerations, that there was an unqualified and absolute publication and a surrender of the right of restricted publication when the owner of the book complied with the statutory requirements and thus acquired the right to notify the public of its exclusive right to the multiplication of copies.

Counsel for complainant contends that Section 4,964 of the Stat-

utes, providing for a penalty for infringement of copyright, has no bearing on this question because there may be infringements of the copyright law by a sale of a book lawfully printed or lawfully imported. While there are some *obiter dicta* which would seem to support this contention, we can find no decision to that effect. On the contrary, the decisions already quoted indicate that the protection against multiplication of copies and the incidents thereof constitute the only protection afforded by the statute. Section 4,952 of the Statutes, giving the owner of the copyright the right to copy and vend the copyrighted article, contains no suggestion of any right either of restricted sale or restricted publication.

But the argument of complainant is stated as follows:

"These references to the controversy as to the common law rights of authors after publication are sufficient to show that the copyright statutes have not created new and extraordinary rights of property which did not previously exist, but are rather declaratory of the common law, in a sense derogatory of the common law, since the statutes give the right only a limited duration."

That this view is inaccurate is sufficiently shown by many decisions. Thus, in Wheaton and Donaldson *v.* Peters and Grigg (8 Peters, 591), the court says:

"Congress, then, by this act, instead of sanctioning an existing right, as contended for, created it."

In Stevens *v.* Gladding (17 How., 447) the court says:

"There being no common law of copyright in this country, whatever rights are possessed by the proprietor of the copyright must be derived from some grant thereof in some act of Congress, either *nominatim* or by a satisfactory implication."

In *In re* Brosnahan, Jr., (18 Fed., 62), Judge, then Mr. Justice Miller said:

"The sole object and purpose of the laws which constitute the patent and copyright systems is to give to the author and inventor a monopoly of what he has written or discovered, so that no one else shall make or use or sell his writings or his invention without his permission; and what is granted to him is the exclusive right; not the abstract right, but the right in him to the exclusion of everybody else."

The fallacy of complainant's argument lies in disregarding the peculiar common law right of literary property, namely, the right of first publication, and the right to restricted publication, and the condition precedent to the enjoyment of the statutory right, namely, the surrender of such common law right by a general publication. If the statutory owner desires after publication to control the lawfully published copies, such control can only be secured by means of positive contract or conditions, so accepted by the party to be charged or so brought to his knowledge that it would be inequitable to permit him to violate them. But while this right might be protected at law or enforced by a court of equity, it is not a statutory right but a common law right attached generally to the ownership of all species of property. Keeler *v.* Standard Folding Bed Co. (157 U. S., 659).

Furthermore, no right of license in case of a sale is conferred by the statute. As Judge, afterwards Mr. Justice Jackson says in United States *v.* American Bell Telephone Co. (29 Fed., 17, 43):

"The right of the patent owner to permit or license the use of the invention is not the creature of the federal franchise or statute, but of the common law."

Counsel for complainant, quoting from the opinion of the court below that "the copyright statutes could not be invoked to control the retail trade of books, the title to which the copyright owner has transferred," says as follows:

"If by the words 'the title to which the copyright owner has transferred' is meant that he has transferred the same without limitation, the proposition is not questioned; but if it be meant that the owner of the copyright cannot prescribe limitations upon which the books may be sold in the trade, then we deny the proposition, and we say it is directly at variance with the cases above cited touching the subject, for they all proceed upon the basis that as against a party who has sold or is selling in violation of the terms prescribed by the owner of the copyright an injunction may issue."

We have always shown that the proposition thus asserted by complainant is unsupported by authority. The record shows that in this case the owner has transferred the property without limitation, so far as the transfer of title is concerned.

It is argued that the effect of thus cutting the price is disastrous to the publisher in its sale of the work, and that, therefore, the question is one which appeals to the favorable consideration of the court as a court of equity.

But it is not satisfactorily shown that this arrangement is beneficial to, or required for, the protection of the author. The Constitution grants to Congress power to legislate for the benefit of the author. It is by no means clear that a free and unrestricted alienation of the books at a reduced price would not be more beneficial to the author than the higher prices provided for by the publishers' combination for the benefit of a certain class of dealers.

But it is further argued that the copyright statutes should receive a liberal and not a strict construction because they are merely declaratory of the common law, and that the provision in this case is for the protection of the author. We have already seen, however, that the statute is a derogation of the common law right, and, therefore, is to be strictly construed.

In Thompson *v.* Hubbard (131 U. S., 123), the Supreme Court said as follows:

"The right of action, as well as copyright itself, is wholly statutory, and means of securing such right of action are thus prescribed by Congress."

"The right of an author to a monopoly of his publications is measured and determined by the copyright act." Holmes *v.* Hurst *supra.*

Banks *v.* Manchester (128 U. S., 244); Wheaton and Donaldson *v.* Peters and Griggs, *supra;* Perris *v.* Hexamer, *supra.*

In these circumstances, we are of the opinion that a sale of a law-

fully printed copy in the absence of any contract, condition, or provision for forfeiture, is not an infringement of the copyright law. As was said by this court in Kipling *v.* G. P. Putnam's Sons (120 Fed., 631, 634), citing Harrison *v.* Maynard, Merrill & Co., *supra:*

"We are unable to find any provision in the agreements with the plaintiff's publishers which prohibited the sale of the copyrighted sheets to the defendants, but if such a provision were present, the plaintiff's remedy would be an action against the publishers for breach of contract."

A court of equity, therefore, would not be justified in enforcing the provisions of the copyright law, merely to prevent a sale of a copyrighted article, because the vendor has informed the purchasing public that it will treat such sale as an infringement.

We are brought then to a consideration of the question whether the complainant is entitled to protection, on the ground of a violation of the restrictive license stated in the notice, independently of the copyright law.

The general questions raised by this enquiry belong to a class which have recently become prominent in the courts, relating to attempted restrictions on the disposition of certain classes of personal property by lease or sale. These cases may be divided generally into those relating to sales of proprietary medicines made under secret processes, those protected by patents or copyright, and those involving breaches of contracts or conditions in the sale of ordinary chattels. It has been claimed as to all these classes that conditions or restrictions may be imposed by the original owner, who parts with the possession or the ownership, or both, which shall so attach to or follow the article that they may be enforced against any subsequent purchaser.

In view of the conclusions reached, it is unnecessary to express any opinion as to the scope of such attempted restrictions in the case of patented articles. It may be said generally, however, that there is such a distinction between rights of copyright and patent rights that the decision of cases under one class would not necessarily be controlling in the other class.

The protection afforded by the patent law is broader in the case of patents than in that of copyright. By a grant of copyright the owner of the work acquires the exclusive right of multiplication of copies; by the grant of a patent the patentee acquires the exclusive right to make and use the thing patented. The patent law protects the production and use of the creative conception reduced to practical shape in various forms; the copyright law protects the publication of copies in the form or substance of the particular creative conception in which it has been expressed by the author.

The right secured by the copyright act is "the right to that arrangement of words which the author has selected to express his ideas." Holmes *v.* Hurst, *supra.*

The statutory right to make a patented article and to prevent others from making it is entirely distinct from the further statutory right to use, and therefore to control the use of, the thing made.

Furthermore, the statute permits the patentee to subdivide his

rights, and the common law protects him against any infringement of any part thereof. The copyright statute provides only for the assignment of the right as a whole, and, in terms, protects against infringement by unlawful publication. But in view of the conflicting opinions of various judges as to the scope of the restrictions imposed by patentees upon the use of patented articles, we express no opinion upon this question.

Nor are we required to pass upon the specific questions involved in the patent, secret process or copyright decisions. An examination of the cases under the above heads shows that they have generally been disposed of upon the ground that there was a contract between the original vendor and vendee, or that conditions were imposed or rights asserted, which, in each case, were brought home to the knowledge of a subsequent vendee, and where the right was sustained by virtue of the inherent character of the article, as in the secret processes, or by virtue of the specific statutory protection, as in the case of patents and copyrights. We are concerned, rather, with the general question presented in cases where there has been either a malicious or unlawful attempt by a third party to induce the original purchaser to break his contract, to the injury of the original vendee, or in those cases which relate to the attempt of an owner of an ordinary chattel to impose by contract restrictions upon its use or sale binding upon third parties, and which, it is claimed, may operate as a sort of ambulatory covenant annexed to the chattel.

There are two legal principles, which may be invoked in support of complainant's claim.

The first of these may be generally stated as follows:

A person who unlawfully and maliciously persuades another person to break his contract with a third person, to the injury of such third person, is liable for the damages which are the natural result of such act, and when by reason thereof he has acquired title to property wrongfully he may be adjudged a trustee *ex maleficio* in respect to such property, and enjoined from disposing thereof.

This principle has been discussed and maintained in a great variety of cases, among which are the following: Heath *v.* American Book Co. (97 Fed., 533), where the defendant knowingly induced the State School Board to buy its books, and to break a contract for purchase of books from the plaintiff; in Walker *v.* Cronin (107 Mass., 556); Lumley *v.* Gye (2 El. & Bl., 216); Guenter *v.* Astor (4 J. B. Moore, 12), cases where the defendants knowingly persuaded persons to break contracts for services; Garst *v.* Charles (187 Mass., 144), where defendant persuaded a purchaser of medicine from plaintiff to break his contract not to sell below a certain price; Sperry & Hutchinson Co. *v.* Mechanics' Clothing Co. (128 Fed., 800), breach of contract as to trading stamps.

The whole doctrine is fully discussed, and the principle suggested above is approved, in Angle *v.* Chicago, St. Paul, Minneapolis & Omaha Railway Co. (151 U. S., 1). There the Supreme Court applied it in a case where, upon demurrer, it was admitted that the defendant actively interfered to prevent a party from performing a contract entered into with complainant, and secured the control

of the property which was the subject of the contract. Mr. Justice Brown, delivering the opinion of the court, said as follows:

"It has been repeatedly held that, if one maliciously interferes in a contract between two parties, and induces one of them to break that contract to the injury of the other, the party injured can maintain an action against the wrongdoer; (citing cases). * * *

"It may be conceded that an action at law would lie for the damages sustained by the Portage Company, through the wrongful acts of the Omaha Company. Indeed, that is a fact which underlies this whole case. Yet, while an action at law lie, it does not follow that such remedy was either full or adequate. Waiving the question as to the solvency of the Omaha Company, and assuming that any judgment against it for damages could be fully satisfied by legal process, there remains the proposition that it is contrary to equity that the defendant should be permitted to enjoy unmolested that particular property, the possession of which it sought to secure, and did in fact secure, by its wrongful acts. * * *

"While no express trust is affirmed as to the lands, yet it is familiar doctrine that a party who acquires title to property wrongfully may be adjudged a trustee *ex maleficio* in respect to that property."

Several of the later cases decided in the State and Federal courts are collected and discussed by Judge Thomas in his exhaustive opinion in Wells & Richardson Co. *v.* Abraham (— Fed., —).

The other principle which might be invoked to sustain complainant's contention, and which may be considered as growing out of the doctrine already discussed, is one as to which there is some conflict in the decisions.

This principle is stated by Lord Justice Bruce in De Mattos *v.* Gibson (4 De Gex & Jones, 276) as follows:

"Reason and justice seem to prescribe that at least as a general rule, where a man by gift or purchase acquires property from another with knowledge of a previous contract, lawfully and for a valuable consideration made by him with a third person, to use and employ the property for a particular purpose and in a specified manner, the acquirer shall not, to the material damage of the third person, in opposition to his contract and inconsistent with it, use the property in a manner not allowable to the giver or seller. The rule applicable alike in general, as I conceive, to movable and immovable property, recognized and adopted, as I apprehend, by the English law, may like other general rules, be liable to exceptions arising from special circumstances, but I see at present no reason for any exception in the instance before us."

In Murphy *v.* Christian Press Association Publishing Co. (38 N. Y. App. Div., 426), a corporation owning a copyright in a prayer book and certain plates sold a set of the plates and authorized the vendees to publish therefrom, and agreed that it would not sell a set to any other publisher without the vendees' consent, and that the price of the bound copies of the book should be a certain sum. Subsequently, the corporation was dissolved, and its receiver sold the remaining plates and the copyright to a company, having full

notice of said agreement. Said company proceeded to publish books at a price much less than that fixed in the agreement between the vendor and the first vendees. The Special Term enjoined the company from selling its publications at less than the price stipulated in the agreement. The court said as follows:

"We think this action can be maintained against the appellant, and that it is bound by the agreement of the Catholic Publication Society Company from which it acquired the copyright and electrotype plates. The agreement on the part of the defendant's predecessor in title, though technically a personal one, related to the use of its property, the copyrights and the plates, and obligated all who might acquire that property with notice of the agreement. This is the settled doctrine of the Court of Appeals where the agreement relates to real estate. Hodge *v.* Sloan (107 N. Y., 244); Lewis *v.* Gollner (129 Id., 227). We can see no reason why the same rule should not apply in the case of personal property, nor are we wanting in authority to sustain the proposition. New York Bank Note Co. *v.* Hamilton Bank Note Co. (83 Hun, 593; 28 App. Div., 411); Littlefield *v.* Perry (88 U. S., 205)."

So in New York Bank Note Co. *v.* Hamilton Bank Note Co. (28 N. Y. App. Div., 411), reversed on another point in 180 N. Y., 280, a majority of the court approved the decision of the court below in the following language:

"If a person purchases from another a printing press, having knowledge of the existence of a contract between the vendor and a third person, whereby the vendor has agreed not to sell such presses except under certain restrictions, such third person is entitled to enforce his contract as against the vendee. * * * Contracts prohibiting the use of personal property in a particular way are valid."

See also New York Phonograph Co. *v.* Jones (123 Fed., 197).

On the other hand, in Taddy & Co. *v.* Sterious & Co. (20 T. L. R., 102, Eng. Ch. D.), tobacco was sold in boxes, accompanied by invoices, labels, &c., stating the terms of sale. The price was printed on the box, with the following notice:

"All of the above packet tobacco and cigarettes are sold by Taddy & Co. upon the express condition that retail dealers do not sell the packet tobacco or cigarettes below the prices set forth. Acceptance of the goods will be deemed a contract between the purchaser and Taddy & Co. that he will observe these stipulations."

There, the court said:

"Conditions of this kind did not run with the goods and could not be imposed upon them. Subsequent purchasers, therefore, did not take the goods subject to any conditions which the court could enforce."

The court also held on other grounds that the contract claimed to be created thereby was not one on which plaintiff could sue a third party.

In Garst *v.* Hall & Lyon Co. (179 Mass., 588) the complainant was the manufacturer of a proprietary medicine made from a

secret formula, which he sold only subject to the conditions of a contract in which each purchaser agreed that he would not sell, directly or indirectly, for prices less than those specified in the agreement; and further agreed that the acceptance of said goods with the notice of such conditions should be held to be an assent on the part of the purchaser to the foregoing terms and an agreement with the complainant to sell subject to the price restrictions fixed by it. The defendant, with knowledge of these conditions, bought said medicine, not from the plaintiff, nor from his vendee who had agreed to sell subject to the above conditions, but from purchasers from such vendees. In these circumstances, the court held as follows:

"The contract contemplated sales by retailers which shall pass an absolute title to the property. The purchaser from a purchaser has an absolute right to dispose of the property. He may consume it or sell it to another. The plaintiff has contracts from his vendees in regard to the prices at which they will sell if they sell at all. If they sell in violation of their contracts with the plaintiff, he has a remedy against them to recover his damages. Garst *v.* Harris (177 Mass., 72). This right is founded on the personal contract alone, and it can be enforced only against the contracting party. To say that this contract is attached to the property and follows it through successive sales which severally pass title is a very different proposition. We know of no authority or of any sound principle which will justify us in so holding."

In the light of these decisions the disposition of the questions raised in the present case depends upon the effect to be given to the terms of the printed notice. Its language may be fairly interpreted as though it read as follows: "The Bobbs-Merrill Co. hereby gives notice that it has licensed dealers to sell this book at the net retail price of one dollar, and not at any less price, and that the penalties which will be imposed for a sale by a dealer at a less price will be those provided in case of infringement of copyright."

It will be observed that this statement is a notice, not a contract. There is no reservation of title to, or of any interest in, or subsequent control over, the copy sold, no suggestion of any agreement on the part of the purchaser, or restriction upon, or provision for forfeiture of, title, no attempt to provide that a purchase shall constitute an acceptance of the terms stated in the notice. In fact, as already shown, it is conceded that the dealers to whom complainant sold the books were under no agreement or obligation to enforce the observance of the terms of said notice, or to restrict their sales to such retail dealers as would agree to observe said notice.

In these circumstances, we think complainant has failed to bring itself within the principles applied in the foregoing cases. It has failed to show that the defendants have themselves violated any contract or have persuaded any other persons to violate any contract with complainant. It does not appear that any purchaser assented to the terms of the notice or agreed that the absolute title acquired by a sale should be converted into a qualified or restricted title.

Furthermore, it does not appear that defendants purchased their copies from purchasers from complainant.

But even if it could be claimed that such a notice might ordinarily operate to annex a condition to the sale in the case of the original purchaser from complainant, and that a subsequent purchaser with notice might, therefore, acquire title to such conditions, and might, therefore, be restrained from their violation by a court of equity, yet, we are of the opinion that this claim would not help this complainant.

The only notice of right asserted in case of breach of the attempted condition is that contained in the notice itself, namely, that complainant will proceed by suit for infringement under the copyright law. Therefore, even if an assent to the terms of the notice might be implied from the sales by defendants, yet, as complainant by said notice has elected to limit itself to its supposed right "to treat a sale at a less price as an infringement of the copyright law," the defendants cannot be assumed to have assented to the assertion of any other and inconsistent right. In this notice of election of remedies, the case is differentiated from the other classes of cases already considered, with one or two exceptions, which, for reasons therein shown, do not seem to be applicable to this case.

We conclude, therefore, upon the facts shown herein, that the complainant is not entitled to relief either under the copyright statutes or by virtue of the general powers of a court of equity.

The decree is affirmed.

Frank H. Platt, for the Appellant.
W. H. H. H. Miller and John C. Carlisle, for the Appellees.

At a Stated Term of the United States Circuit Court of Appeals, in and for the Second Circuit, held at the Court Rooms in the Post Office Building in the City of New York, on the 26th day of June one thousand nine hundred and six.

Present: Hon. William J. Wallace, Hon. William K. Townsend, Hon. Alfred C. Coxe, Circuit Judges.

Bobbs Merrill Company, Complainant-Appellant,
vs.
Isidor Strauss and Nathan Strauss, Trading as R. H. Macy & Company, Defendants-Appellees.

Appeal from the Circuit Court of the United States for the Southern District of New York.

This cause came on to be heard on the transcript of record from the Circuit Court of the United States, for the Southern District of New York, and was argued by counsel.

On consideration whereof, it is now hereby ordered, adjudged and decreed that the decree of said Circuit Court be and it hereby is affirmed with costs.

It is further ordered that a Mandate issue to the said Circuit Court in accordance with this decree.

W. J. W.

Endorsed: United States Circuit Court of Appeals, Second Circuit. Bobbs Merrill *vs.* Strauss Order for Mandate. United States Circuit Court of Appeals Second Circuit. Filed Jun- 29, 1906. William Parkin, Clerk.

United States Circuit Court of Appeals for the Second Circuit.

THE BOBBS-MERRILL COMPANY, Appellant,
against
ISIDOR STRAUS and NATHAN STRAUS, Co-partners, Doing Business under the Firm Name of R. H. Macy & Co., Respondents.

We have no objection to the filing of the annexed affidavits of William C. Bobbs, verified November 22, 1906, John J. Curtis, verified December 3, 1906, and hereby waive notice of motion by appellant for leave to file said affidavits.

Dated New York, December 10, 1906.

SPIEQUEBERG & WISE,
Solicitors for Respondents.

On reading the foregoing consent and the annexed affidavits of William C. Bobbs verified November 22, 1906, and John J. Curtis, verified December 3, 1906, it is

Ordered that the same be filed as a part of the record in the above entitled case.

Dated December 12, 1906.

ALFRED C. COXE,
Judge of the United States Circuit Court of Appeals for the Second Circuit.

United States Circuit Court of Appeals for the Second Circuit.

THE BOBBS-MERRILL COMPANY, Appellant,
against
ISIDOR STRAUS and NATHAN STRAUS, Co-partners, Doing Business under the Firm Name of R. H. Macy & Co., Respondents.

DISTRICT OF INDIANA, *ss:*

William C. Bobbs, being duly sworn, deposes and says:

That he is the President of The Bobbs-Merrill Company, the complainant-appellant in the above entitled action, and is familiar with all the facts and issues of said action.

That he has been actively engaged in the book business since 1880 and since 1895 has been at the head of complainant's business. That in said capacity he has participated in the publication and

marketing of several hundred copyright books under all conditions of trade and competition, and from an actual and extended experience in all branches of the book trade has acquired knowledge of the value of copyrights of books of fiction and of the value of the right claimed by complainant in this suit, to control the retail price of said copyright books.

That he has been personally familiar with the publication and marketing of "The Castaway" the copyright of which is the subject of this action, and with all the facts connected therewith.

That the value to complainant of the right to control the retail price of said novel and to maintain a uniform retail price therefor of One Dollar ($1.00) net per copy throughout the trade, as contended for in this action, exceeded at the time of the commencement of this suit, and still exceeds, the sum of One thousand Dollars, ($1000.00).

WILLIAM C. BOBBS.

Sworn to before me this 22nd day of November, 1906.

HARVEY J. ELAM,
Notary Public, Marion County, Indiana.

My Commission expires Aug. 13, 1908.

United States Circuit Court of Appeals for the Second Circuit.

THE BOBBS-MERRILL COMPANY, Appellant,
against
ISIDOR STRAUS and NATHAN STRAUS, Co-partners, Doing Business under the Firm Name of R. H. Macy & Co., Respondents.

SOUTHERN DISTRICT OF NEW YORK, *ss:*

John J. Curtis, being duly sworn, deposes and says:

That he is Secretary of The Bobbs-Merrill Company, the complainant-appellant in the above entitled action, and is familiar with all the facts and issues of said action.

That he has been actively engaged in the book business since 1873, and since 1895 has been manager of the publication department of Complainant's business. That in said capacity he has participated in the publication and marketing of several hundred copyright books under all conditions of trade and competition, and from an actual and extended experience in all branches of the book trade has acquired knowledge of the value of the copyrights of books of fiction and of the value of the right, claimed by Complainant in this suit, to control the retail price of such copyright books.

That he has been personally familiar with the publication and marketing of "The Castaway" the copyright of which is the subject of this action, and with all the facts connected therewith.

That the value to complainant of the right to control the retail price of said novel and to maintain a uniform retail price therefor of One Dollar ($1.00) net per copy throughout the trade, as con-

anded for in this action, exceeded at the time of the commencement of this suit and still exceeds, the sum of One thousand dollars ($1,000).

JOHN J. CURTIS.

Sworn to before me this third day of Dec., 1906.

CHAS. W. KOLLER,
Notary Public, New York County.

(Endorsed:) U. S. Circuit Court of Appeals Second Circuit. The Bobbs-Merrill Company Appellant against Isidor Straus and Nathan Straus doing business under the firm name of R. H. Macy & Co., Appellees. Affidavits and order for filing. O'Brien, Boardman, Platt & Dunning, Solicitors for Appellant, 35 Wall Street, New York City. United States Circuit Court of Appeals, Second Circuit. Filed Dec. 12, 1906. William Parkin, Clerk.

United States Circuit Court of Appeals for the Second Circuit.

THE BOBBS-MERRILL COMPANY, Complainant-Appellant,

vs.

ISIDOR STRAUS and NATHAN STRAUS, Co-partners, Doing Business under the Firm Name and Style of R. H. Macy & Company, Defendants-Appellees.

The above-named complainant-appellant, The Bobbs-Merrill Company, feeling itself aggrieved by the final order or decree of the United States Circuit Court of Appeals for the Second Circuit, made in the above entitled cause in equity and filed in the office of the Clerk of said Court on the 29th day of June, 1906, affirming the decree of the United States Circuit Court in and for the Southern District of New York herein, filed in the office of the Clerk of said Court on the 12th day of August, 1905, dismissing the bill of complaint herein with costs, now comes, by O'Brien, Boardman, Platt & Dunning, its solicitors, and petitions this Court for an order allowing said complainant-appellant to prosecute an appeal from said order or decree of this Court to the Supreme Court of the United States, under and according to the laws of the United States in this behalf made, and prays that this appeal may be allowed, and that a transcript of the record and proceedings upon which said order or decree was made, duly authenticated, may be transmitted by the Clerk of this Court to the Supreme Court of the United States.

Dated December 12th, 1906.

O'BRIEN, BOARDMAN, PLATT & DUNNING,
Solicitors for Appellant, 35 Wall Street, New York City.

The foregoing appeal is hereby allowed this 12th day of Decem[illegible], 1906.

ALFRED C. COXE,
Judge of the United States Circuit Court of Appeals for the Second Circuit.

Endorsed: U. S. Circuit Court of Appeals, Second Circuit. The Bobbs-Merrill Company, Complainant-Appellant, *vs.* Isidor Straus and Nathan Straus, co-partners, etc., as R. H. Macy & Company, Defendants-Appellees. (Copy) Petition of Appeal. O'Brien, Boardman, Platt & Dunning, Solicitors for Appellant, Office and Post-office Address, 35 Wall Street, New York City. United States Circuit Court of Appeals, Second Circuit. Filed Dec. 12, 1906. William Parkin, Clerk.

United States Circuit Court of Appeals for the Second Circuit.

THE BOBBS-MERRILL COMPANY, Complainant-Appellant,

vs.

ISIDOR STRAUS and NATHAN STRAUS, Co-partners, Doing Business under the Firm Name and Style of R. H. Macy & Company, Defendants-Appellees.

The Bobbs-Merrill Company, appellant, above named, by O'Brien, Boardman, Platt & Dunning, its solicitors, in connection with its petition of appeal to the Supreme Court of the United States filed the 12th day of December, 1906, from the final order or decree of the United States Circuit Court of Appeals for the Second Circuit in the above entitled cause, in equity, filed on the 29th day of June, 1906, affirming the decree of the United States Circuit Court for the Southern District of New York herein, makes the following assignment of errors:

Firt. The court erred in deciding that the sole right conferred by the copyright statutes upon the owner of a copyright of a book is the exclusive right to multiply copies thereof.

Second. The court erred in deciding that the copyright statutes do not secure to the complainant, as the owner of the copyright of "The Castaway," the right to fix and control the terms and conditions under which copies of "The Castaway" may be sold by defendants and other retail dealers.

Third. The court erred in deciding that the restrictive notice printed by complainant in each copy of "The Castaway" is not effective and sufficient under the copyright statutes to fix and restrict the retail price at which defendants may resell the copies thereof acquired by them, the said notice being as follows:

"The price of this book at retail is One dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. The Bobbs-Merrill Company."

Fourth. The court erred in deciding that defendants, by reselling and offering for sale at retail copies of "The Castaway" at a price less than one dollar, net, per copy, acquired with full knowledge of the notice printed in each copy thereof, did not infringe the copyright of "The Castaway" owned by complainant.

Fifth. The court erred in deciding that complainant is attempting to import into the statutory copyright a right of limited publi

cation or of restriction upon use which was abandoned by virtue of the surrender of the common law copyright.

Sixth. The court erred in affirming the decree of the court below dismissing the bill of complaint.

Wherefore appellant prays that the said final order or decree herein be reversed, and for such other and further relief as may be equitable.

Dated December 12th, 1906.

O'BRIEN, BOARDMAN, PLATT & DUNNING,
Solicitors for Appellant, 35 Wall Street, New York City.

Presented Dec. 12, 1906.
ALFRED C. COAL,
Judge U. S. Cir. Ct. of Appeals.

(Endorsed:) U. S. Circuit Court of Appeals, Second Circuit. The Bobbs-Merrill Company, Complainant-Appellant, *vs.* Isidor Straus and Nathan Straus, etc., as R. H. Macy & Company, Defendants-Appellees. (Copy.) Assignment of Errors. O'Brien, Boardman, Platt & Dunning, Solicitors for Appellant, Office and Post-office Address, 35 Wall Street, New York City. United States Circuit Court of Appeals, Second Circuit. Filed Dec. 12, 1906. William Parkin, Clerk.

United States Circuit Court of Appeals for the Second Circuit.

THE BOBBS-MERRILL COMPANY, Complainant-Appellant,
vs.
ISIDOR STRAUS and NATHAN STRAUS, Co-partners, Doing Business under the Firm Name and Style of R. H. Macy & Company, Defendants-Appellees.

Know all men by these presents That the Fidelity and Deposit Company of Maryland, a corporation organized under the Laws of the State of Maryland, and having an office and principal place of business for the State of New York at No. 35 Wall Street, in the Borough of Manhattan, in the City of New York, is held and firmly bound unto Isidor Straus and Nathan Straus, co-partners doing business under the firm name and style of R. H. Macy & Company, of the City of New York, in the sum of five hundred dollars ($500.00), to be paid to the said Isidor Straus and Nathan Straus, their executors, administrators, or assigns, for the payment of which, well and truly to be made, it binds itself and its successors, firmly by these presents.

Sealed with its seal and dated this Twelfth day of December, Nineteen hundred and six.

Whereas, The Bobbs-Merrill Company has appealed to the Supreme Court of the United States from a final order or decree of the United States Circuit Court of Appeals for the Second Circuit, filed

in the Office of the Clerk of said United States Circuit Court of Appeals on the 29th day of June, 1906, affirming, with costs, the decree of the United States Circuit Court for the Southern District of New York, filed in the Office of the Clerk of said Court on the 12th day of August, 1905, dismissing the bill of complaint in the above entitled action:

Now, therefore, the condition of this obligation is such that if the said appellant, The Bobbs-Merrill Company shall prosecute its said appeal to effect, and answer all damages and costs if it shall fail to make said appeal good, then this obligation to be void; otherwise to remain in full force and virtue.

FIDELITY AND DEPOSIT COMPANY
OF MARYLAND,
By HENRY B. PLATT, *Vice-President.*

Attest:
[SEAL.] JAMES R. KINGSLEY, *Attorney.*

The foregoing bond approved as to form amount and sufficiency of surety.

Dated December 12, 1906.

ALFRED C. COXE,
Judge of the United States Circuit Court of Appeals for the Second Circuit.

STATE OF NEW YORK, *County of New York, ss:*

On the 12th day of December, in the year 1906 before me personally came Henry B. Platt, to me known, who, being by me duly sworn, did depose and say, that he resides in the City of New York; that he is the Vice-President of the Fidelity and Deposit Company of Maryland, the corporation described in and which executed the within instrument; that he knows the seal of said corporation; that the seal affixed to said instrument was such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order; and that the Fidelity and Deposit Company of Maryland has been duly authorized to transact business in the State of New York, in pursuance of the statutes in such case made and provided, and is authorized by its charter to execute bonds as surety for executors, administrators, guardians and testamentary trustees; and that the liabilities of said Company do not exceed its assets as ascertained in the manner provided in Section 3, of Chapter 720 of the Session Laws of the State of New York, for the year 1893. And the said Henry B. Platt further said that he was acquainted with James R. Kingsley, and knew him to be the Attorney of said Company; that the signature of the said James R. Kingsley subscribed to the within instrument, was in the genuine handwriting of the said James R. Kingsley, and was subscribed thereto by like order of the Board of Directors, and in the presence of him, the said Henry B. Platt.

ERNEST L. HICKS,
[SEAL.] *Notary Public, New York County.*

At a regular and lawful meeting of the Board of Directors of the Fidelity and Deposit Company of Maryland, at which a quorum was present, held at the office of the Company in the City of Baltimore, State of Maryland, on the seventh day of February, A. D. 1906, on motion, it was unanimously

"*Resolved*, That Henry B. Platt, Vice-President, or James R. "Kingsley, Attorney, or Frank H. Platt, Edward T. Platt, Joseph "A. Flynn, and Hugh M. Allwood, Attorneys-in-Fact of this Com- "pany, in the State of New York, be, and each of them is, hereby "authorized and empowered to execute and deliver any and all "bonds or undertakings for or on behalf of this Company, in its "business of guaranteeing the fidelity of persons holding places of "public or private trust and the performance of contracts other "than insurance policies, and executing or guaranteeing bonds and "other undertakings required or permitted in all actions or proceed- "ings or by law required, and to attach thereto the seal of the Com- "pany, the same to be attested by the said James R. Kingsley, "Attorney of the Company, or by either one of the other persons "above named, as occasion may require."

COUNTY OF NEW YORK, *ss:*

I, James R. Kingsley, Attorney, of the Fidelity and Deposit Company of Maryland, have compared the foregoing Resolution with the original thereof, as recorded in the Minute Book of said Company, and do hereby certify that the same is a true and correct transcript therefrom, and of the whole of the said original Resolution. Given under my hand and the seal of the Company, at the City of New York, this 12th day of December, 1906.

[SEAL.] JAMES R. KINGSLEY, *Attorney.*

Fidelity and Deposit Company of Maryland.

Statement, June 30th, 1906.

Resources.		Liabilities.	
Real Estate	$757,000 00	Capital Stock	$2,000,000 00
Stocks and Bonds	3,322,425 00	Surplus and Undivided Profits	2,802,458 27
Railroad Bonds	1,436,000 00	Premium Reserve Requirement	709,474 38
British Consols	239,500 00	Claims Adjusted (Checks out)	7,663 57
Net Premiums Due	151,511 78	Reserve for Claims, Admitted and Unadmitted	731,780 18
Cash in Bank, etc	341,939 62		
	$6,251,376 40		$6,251,376 40

STATE OF NEW YORK, *County of New York, ss:*

James R. Kingsley, being duly sworn, says that he is the Attorney of the Fidelity and Deposit Company of Maryland; that the foregoing is a true and correct statement of the financial condition of said Company, as of June 30, 1906, to the best of his knowledge and

belief, and that the financial condition of said Company is as favorable now as it was when such statement was made.

JAMES R. KINGSLEY.

Subscribed and sworn to before me, this 12th day of December, 1906.

ERNEST L. HICKS,

[SEAL.] *Notary Public, New York County.*

(Endorsed:) U. S. Circuit Court of Appeals for the Second Circuit The Bobbs-Merrill Company Complainant-Appellant *vs.* Isidor Straus and Nathan Straus co-partners doing business under the firm name and style of R. H. Macy & Company, Defendants-Appellees Copy. Bond. Fidelity and Deposit Company of Maryland, 35 Wall Street, New York. United States Circuit Court of Appeals, Second Circuit. Filed Dec. 12, 1906. William Parkin, Clerk.

UNITED STATES OF AMERICA, *Southern District of New York, ss:*

I, William Parkin, Clerk of the United States Circuit Court of Appeals for the Second Circuit, do hereby Certify that the foregoing pages, numbered from 1 to 207 inclusive, contain a true and complete transcript of the record and proceedings had in said Court, in the case of Bobbs-Merrill Company against Isidor Strauss and Nathan Strauss, trading, etc., as the same remain of record and on file in my office.

In testimony whereof, I have caused the seal of the said Court to be hereunto affixed, at the City of New York, in the Southern District of New York, in the Second Circuit, this 14th day of December in the year of our Lord One Thousand Nine Hundred and Six and of the Independence of the United States the One Hundred and thirty-first.

[Seal United States Circuit Court of Appeals,
Second Circuit.]

WM. PARKIN, *Clerk.*

UNITED STATES OF AMERICA, *ss:*

The President of the United States to Isidor Straus and Nathan Straus, co-partners doing business under the firm name and style of R. H. Macy & Company, Greeting:

You are hereby cited and admonished to be and appear in the Supreme Court of the United States at the City of Washington, in the District of Columbia, thirty (30) days after the date of this citation, pursuant to an appeal allowed and filed in the Clerk's office of the United States Circuit Court of Appeals for the Second Circuit, on the 12th day of December, 1906, in that certain cause in equity wherein The Bobbs-Merrill Company is complainant and appellant, and you are defendants and appellees, to show cause, if any there be, why the final order or decree of the United States Circuit Court of Appeals for the Second Circuit, filed in the office of the Clerk of said

Court on the 29th day of June, 1906, affirming the decree of the United States Circuit Court for the Southern District of New York herein, should not be corrected and reversed, and why speedy justice should not be done to the complainant and appellant in that behalf.

Witness Honorable Melville W. Fuller, Chief Justice of the Supreme Court of the United States, this 12th day of December, 1906.

ALFRED C. COXE,
Judge of the United States Circuit Court of Appeals for the Second Circuit.

O'BRIEN, BOARDMAN, PLATT & DUNNING,
Solicitors for Appellant, 35 Wall Street, New York City.

[Endorsed]: U. S. Circuit Court of Appeals Second Circuit. The Bobbs-Merrill Company, Complainant-Appellant, *vs.* Isidor Straus and Nathan Straus, etc., as R. H. Macy & Company, Defendants-Appellees. Citation. O'Brien, Boardman, Platt & Dunning, Solicitors for Appellant, Office and Post-Office Address, 35 Wall Street, New York City. Due and timely service of a copy of the within is hereby admitted. Dated New York, Dec. 12, 1906. Speiqueberg & Wise, Solicitors for Appellees. United States Circuit Court of Appeals, Second Circuit. Filed Dec. 13, 1906 William Parkin, Clerk.

Endorsed on cover: File No. 20,496. U. S. circuit court appeals, 2d circuit. Term No. 531. The Bobbs-Merrill Company appellant, *vs.* Isidor Straus and Nathan Straus, co-partners, doing business under the firm name and style of R. H. Macy & Company. Filed December 26th, 1906. File No. 20,496.

FILED.
DEC 9 1907
JAMES H. McKENNEY,
CLERK.

United States Supreme Court

THE BOBBS-MERRILL COMPANY, *Appellant,*

v.

ISIDOR STRAUS AND NATHAN STRAUS, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME OF R. H. MACY AND COMPANY, *Appellees.*

No. 176.
OCTOBER TERM, 1907.

APPEAL FROM DECREE OF THE CIRCUIT COURT OF APPEALS OF THE SECOND CIRCUIT.

BRIEF FOR APPELLANT.

W. H. H. MILLER,
C. C. SHIRLEY,
SAMUEL D. MILLER,
Solicitors and Counsel for Appellant.

THE HOLLENBECK PRESS, INDIANAPOLIS

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STATEMENT.

This is a suit to enjoin the sale by dealers at retail of a copyright novel at a price less than one dollar for each copy, in violation of the terms of a notice printed on the copyright page in each copy of the book.

The following facts, in part alleged in the bill, are admitted in the answer, or agreed to by stipulation:

Complainant is the proprietor and publisher of a novel entitled, "The Castaway." (Record, pp. 2 and 8.) This novel was duly copyrighted on the 18th day of May, 1904. (*Ibid.*)

The complainant, for the purpose of maintaining a uniform retail price for the book throughout the trade, has printed in every copy thereof, below the statutory copyright notice on the page immediately following the title page, the following notice:

(Record, p. 8.)

"The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.

"THE BOBBS-MERRILL COMPANY."

A facsimile of the copyright page containing this notice appears as complainant's Exhibit "I."

(Record, p. 54.)

Notwithstanding this notice restricting the retail price of the book to one dollar, the defendants have sold, and are now selling and offering for sale, copies of this book at retail in their department store in New York at eighty-nine cents per copy, without the consent of the complainant.

(Record, p. 9.)

It is admitted that the defendants, at the time of their purchase of the copies of the book, were familiar with the terms of this restrictive notice and knew that the book was a copyright book, and that every copy of the book so purchased by them contained said notice.

(Record, p. 9.)

It is agreed that ninety per cent. of the copies of the

book procured by defendants were obtained from wholesale dealers at a wholesale price of about forty per cent. below the retail price (Record, p. 8), and that the wholesale dealers from whom defendants so purchased also had full knowledge of the restrictive notice printed in each copy, and knew also that the book was copyrighted.

(Record, p. 9.)

Ten per cent. of the copies of said book defendants purchased at retail, paying the full price therefor.

(Record, p. 9.)

Without giving in detail all the averments of the bill it is sufficient to say that it avers all necessary jurisdictional facts, showing damage and injury to complainant both present and threatened, and all facts necessary to present the question whether the above notice is effective for the purpose for which it was intended.

By the answer, (Record, p. 55), defendants admitted many facts alleged in the bill, required proof of some others (proof of which for the most part, however, was afterward dispensed with by the stipulations), and set up as an affirmative defense in great detail that complainant is, and for some years had been, a member of an association known as the American Publishers' Association, which, prior to February, 1904, was alleged to be an illegal combination among ninety-five per cent. of the publishers of the United States for the purpose of maintaining the price of books and to prevent competition in their sale, including books both copyrighted and not copyrighted.

That there was also formed an ally or auxiliary to said publishers' association, the American Booksellers' Association, embracing nearly all the booksellers of the United States, and that said two associations were and are acting

in harmony and co-operating to control the book trade of the United States.

It is then alleged (Record, p. 60) that this suit has been brought and is being prosecuted by complainant ostensibly in its own behalf, but in fact in behalf of said combination for said unlawful purpose in restraint of trade and in violation of the interstate commerce law of the United States, and of the public policy, and as a part of the general plan and scheme of said association.

There was a general replication to the answer.

The main facts in the case, as already suggested, are not in dispute; indeed they are mostly agreed upon. There are two signed stipulations as to the facts:

The first is found on pages 8 and 9 of the record, and is as follows:

Stipulation of Facts.

"UNITED STATES CIRCUIT COURT, SOUTHERN DISTRICT OF NEW YORK.

"THE BOBBS-MERRILL COMPANY, *Complainant,*

against

"ISIDOR STRAUS AND NATHAN STRAUS, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME OF R. H. MACY & CO., *Defendants.*

"It is stipulated, for the purposes of this suit, that the following matters are true, and may be taken as duly proved by either party upon final hearing and in any subsequent proceedings herein:

"1. The Bobbs-Merrill Company, the complainant, is, and at all times mentioned in the bill of complaint was, a corporation duly organized and existing under the laws of the state of Indiana, engaged in the business of publishing

and selling books, and having its principal office in the city of Indianapolis, in the state of Indiana.

"2. The complainant is and at all times mentioned in the bill of complaint was the owner and proprietor of a book or novel in one volume entitled 'The Castaway,' written by Hallie Erminie Rives.

"3. The allegations contained in paragraphs of the bill of complaint number III to VI, inclusive, relating to the complainant's compliance with the copyright laws of the United States, are true.

"4. No copies of 'The Castaway' were sold or otherwise issued prior to securing the copyright thereon.

"5. Each and every copy of 'The Castaway' printed, published or issued by complainant contained at the time of such publication and issue the following notice, printed upon the page of the book immediately following the title page, and just below the statutory copyright notice:

"'The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. THE BOBBS-MERRILL COMPANY.'

"6. The defendants, in the course of their business, procured copies of said book before the commencement of this suit, for the purpose of sale at retail. The defendants purchased ninety per cent. of said copies from dealers at wholesale at a reduction from said specified retail price of about forty per cent., and ten per cent. of said copies they purchased at retail, paying the full retail price therefor.

"7. Defendants, at the time of their purchase of copies of said book, knew that said book was a copyright book, and were familiar with the terms of the notice printed in each copy thereof, as described in paragraph 5 of this stipulation, and knew that this notice was printed in every copy of said book purchased by them.

"8. The wholesale dealers, from whom defendants purchased copies of said book, obtained the same either directly from the complainant or from other wholesale

dealers at a discount from the net retail price, and at the time of their purchase knew that said book was a copyright book and were familiar with the terms of the notice printed in each copy thereof, as described in paragraph 5 of this stipulation, and such knowledge was in all wholesale dealers through whom the books passed from the complainant to defendants. But said wholesale dealers were under no agreement or obligation to enforce the observance of the terms of said notice by retail dealers, or to restrict their sales to retail dealers who would agree to observe said terms.

"9. The defendants have sold copies of said book at retail at the uniform price of eighty-nine cents a copy, and are still selling, exposing for sale and offering copies of said book at retail at said price of eighty-nine cents per copy, without the consent of the complainant.

"SPIEGELBERG & WISE,
"Solicitors for Defendants.
"BOARDMAN, PLATT & SOLEY,
"Solicitors for Complainant."

The second stipulation of facts, which is found on pages 61 to 89, is very long. It sets out in full the various resolutions of the American Publishers' Association, bearing date February 13, 1901, January 8, 1902, February 8, 1902, May 27, 1902, January 15, 1903, February 13, 1903, and January 14, 1904; also a resolution of the American Booksellers' Association, adopted in June, 1901, and the amended resolution of the same association of April, 1904. It also sets out in full the opinion of Chief Judge Parker, of the court of appeals of New York in the case of *Straus et al. v. American Publishers' Association*, 177 New York 473.

From these resolutions and the recitals connecting the same it appears that the American Publishers' Association, of which complainant was and is a member, prior to April, 1904, was making and maintaining arrangements

among the various publishers for preventing the cutting of prices as to books copyrighted and uncopyrighted, which the court of appeals of New York adjudged to be invalid as to uncopyrighted books, but at the time "The Castaway" was published, and at the time this suit was commenced, said arrangements had been modified so as to apply only to copyrighted books, which last arrangements, in said opinion, were declared to be not invalid. (Tr., p. 83, Exhibit "H.")

This was the only agreement existing as to the matter after April 1, 1904. In like manner the agreement of Booksellers' Association was modified so as to apply only to copyrighted books about the same time. (Exhibit "I," Transcript, p. 85.)

Beside the stipulations, other evidence was taken in the examination of three witnesses, Adolph Mackel, Irving Putnam and John J. Curtis.

Mr. Mackel, a bookseller, testified in a general way that the effect of price-cutting, by some dealers, was to reduce sales by booksellers generally, such as did not cut the price; that such regular dealers lost interest in and ceased to push sales of books upon which the price had been cut, and thereby reduced the value of the copyright.

Mr. Putnam (of G. P. Putnam & Sons), a publisher (Record, pp. 21-39), testifies to the same effect, and most forcibly and graphically shows that there is no other article of merchandise so effective for a price-cutter in a department store for humbugging the public as a copyrighted book, because the quality is always the same. (Record, pp. 34-35.)

Mr. Curtis (of the Bobbs-Merrill Company) (Record, pp. 40-53) testified to the value of the copyright of "The Castaway," which he fixes at $50,000 (Record, p. 41); that the effect of the cutting of prices was the same as testified by Messrs. Mackel and Putnam (Record, pp.

41-53); that it is impossible to fix the amount of the damages (Record, p. 41).

There is one matter about which Mr. Curtis testifies which is important, and we set out his testimony as to this matter in full, as follows:

(Direct Examination, p. 43.)

"Q. Was this action brought in the interests of the American Publishers' Association?"

"A. No."

"Q. Was it brought at the request of the American Publishers' Association?"

"A. No, the American Publishers' Association knew nothing of the action nor of the plan of the action, and had nothing whatever to do with it."

(Cross-Examination, pp. 43, 44, 45 and 52.)

"Q. Your books are published, Mr. Curtis, under the rules of the American Publishers' Association, are they not?"

"A. Yes."

"Q. You are a member of this association?"

"A. Yes."

"Q. The American Publishers' Association has adopted the so-called net price and the restricted price system, has it not?"

"A. Yes."

"Q. That system has been widely advertised, has it not?"

"A. Yes."

"Q. And the American Publishers' Association has punished or attempted to punish those dealers who have not obeyed it?"

"A. Yes."

"Q. And the rules and regulations of the American Publishers' Association are known to all dealers, are they not, as to the maintenance of the net price system, I mean?"

"A. Yes, they ought to be known; I could not say that they are known to all."

"Q. As a matter of fact, every dealer, on purchasing books, is acquainted by the individual firm from whom he buys as to the rules and regulations of the American Publishers' Association, and that he is required to maintain them?"

"A. Yes, every dealer and every bookseller."

"Q. And unless he agrees to that, either expressly or tacitly, he can not obtain books, copyrighted books?"

"A. Yes."

"Q. So that it is pretty safe to say that every dealer with whom you deal is familiar with the rules and regulations of the American Publishers' Association?"

"A. Yes."

"Q. And that unless he obeys them, you will not sell to him your copyright books?"

"A. Yes."

"Q. 'The Castaway' was published under the net price system at one dollar net, was it not?"

"A. No; it was published under the copyright clause, which is in each copy of the book, on the copyright page."

"Q. Don't your corporation obey the rules of the American Publishers' Association?"

"A. Yes."

"Q. Isn't it a fact that this book comes under the rules of the American Publishers' Association?"

"A. No, it is a new departure."

"Q. Isn't it a fact that the net retail price of this book, 'The Castaway,' is published by you on the cover of the book?"

"A. No."

"Q. Is that the difference between your book and the other books?"

"A. No."

"Q. What other difference is there between your book, 'The Castaway,' and those that are published under the net price system of the American Publishers' Association?"

"A. 'The Castaway' is published with the clause on

the copyright page which makes it a condition of the copyright that the price shall be one dollar at retail."

"Q. That is the only departure from any other book published by the Publishers' Association under the net price system?"

"A. No."

"Q. What other departure is there?"

"A. This price was specially advertised in all the trade journals, and especial attention was called to it by the fact that this clause was on the copyright page."

"Q. Bearing in mind the fact that I am now talking of the publication of the book, and not as to its advertisements, I will repeat the question that was asked for before. In what other way does the publication of this book differ from the books published by the American Publishers' Association and its members under the net price system?"

"A. It is at a lower retail price."

"Q. Is there any other difference in the methods of publication?"

"A. Yes, the novelty—the new condition at which the price is to be maintained."

"Q. Will you specify in what that new condition consists?"

"A. That the price is printed on the copyright page and is the condition of the copyright."

"Q. That it is stated to be so by the notice?"

"A. Yes."

"Q. In other words, the sole difference that exists between this book, 'The Castaway,' and any other net book published by the members of the American Publishers' Association is that in 'The Castaway' there is a notice on the so-called copyright page to the effect that no dealer is licensed to sell the book at less than one dollar, and that a sale at a lower price will be treated as an infringement of the copyright?"

"A. No, there was another difference."

"Q. May I ask what it is?"

"A. The book was not issued as a regular net book under the rules of the American Publishers' Association, but was issued at a price of one dollar, which was made

a part of the conditions of the copyright and was printed on the title page."

"Q. Isn't it a fact that the Bobbs-Merrill Company published 'The Castaway' at the price of one dollar because no book of that kind had theretofore been published at so cheap a price, and that they expected to increase its sales by reason of the attraction of a lower figure for the book?"

"A. Partly by the lower price, but mainly by the fact that we were protecting the price by the clause on the copyright page."

"Q. Then, in the publication of 'The Castaway' by the Bobbs-Merrill Company at one dollar net, they sought to secure in part an increased sale by a reduction in price from the usual type of book of that character?"

"A. Yes."

"Q. Then a reduction of price in part increases the demand?"

"A. No, not always."

The learned district judge who tried this case at circuit filed an opinion covering seventy-four pages of typewritten manuscript. (Tr., pp. 91-155.)

Of these seventy-four pages, forty-five pages are taken up with what purports to be a statement of facts, being a verbatim repetition of the stipulations contained in the record. And of these forty-five pages a very large part is made up of ten separate series of resolutions and reformed resolutions adopted by the American Publishers' Association and the American Booksellers' Association at different times (Exhibits "A" to "I," Tr., pp. 94-124, inclusive), all of which except the last two ("H" and "I") had been annulled and superseded before "The Castaway" was published, and the statement also includes the syllabus and opinion in full of the court of appeals of New York in *Straus et al.* v. *American Publishers' Association*, 177 New York 473 (eight pages). (Tr., pp. 113-119.)

It is worthy of note that there is in this voluminous

statement of facts no reference to the testimony of Mr. Curtis, above recited, to the effect that the American Publishers' Association not only had nothing to do with the bringing or prosecution of this suit, but had no knowledge of it or of the plan of it, and that the publication of the restrictive notice was an entirely new departure and entirely independent of the Publishers' Association. Not only does the learned judge ignore this evidence, but, in spite of the fact that there is no allegation in the answer that the Publishers' Association had anything to do with the putting of this restrictive notice in the book, and no evidence to that effect, it is "found" in the opinion that such was the fact, as well as that this suit was commenced and is being prosecuted as a part of the scheme of the association, in spite of the fact that the only evidence on the subject is, as we think, exactly to the contrary.

Questions Involved.

Upon this situation, the questions involved in the trial court were:

First. As to the effect of the restrictive notice published on the copyright page of the book, viz.:

"The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. The Bobbs-Merrill Company."

Could the owner of the copyright, by such notice, fix the price of the book at retail, and thereby make the cutting of the price by the dealer an infringement of the copyright? Our contention is that this notice is of the same character and of the same effect as a similar notice stamped on a patented machine, and that the numerous

decisions touching notice on a machine are applicable in principle and control this case.

Second. Was this notice sufficient in form and substance to effect that result?

Third. Is complainant precluded from insisting upon and getting the benefit of this notice, if it be sufficient, by reason of the fact that it is a member of the American Publishers' Association?

Fourth. Is there anything in the proposition laid down by the district judge that under section 4964, R. S. U. S., as amended by the act of 1891 (Supplement, Vol. I, page 953, 1874 to 1891), there can be no infringement of a copyright by a sale of a book which has been lawfully printed or lawfully imported?

In the circuit court of appeals it was held to be so clear that the third question above, viz.: monopoly and alleged violation of the Sherman act were in no way material, that argument of those questions was not permitted and they are not noticed in the opinion.

Errors Relied On.

The assignment of errors here, containing six specifications, is as follows (Tr., p. 184):

Assignment of Errors.

First. The court erred in deciding that the sole right conferred by the copyright statutes upon the owner of a copyright of a book is the exclusive right to multiply copies thereof.

Second. The court erred in deciding that the copyright statutes do not secure to the complainant, as the owner of the copyright, of "The Castaway" the right to fix and

control the terms and conditions under which copies of "The Castaway" may be sold by defendants and other retail dealers.

Third. The court erred in deciding that the restrictive notice printed by complainant in each copy of "The Castaway" is not effective and sufficient under the copyright statutes to fix and restrict the retail price at which defendants may re-sell the copies thereof acquired by them, the said notice being as follows:

"The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright.

"THE BOBBS-MERRILL COMPANY."

Fourth. The court erred in deciding that defendants, by re-selling and offering for sale at retail copies of "The Castaway" at a price less than one dollar net, per copy, acquired with full knowledge of the notice printed in each copy thereof, did not infringe the copyright of "The Castaway" owned by complainant.

Fifth. The court erred in deciding that complainant is attempting to import into the statutory copyright a right of limited publication or of restriction upon use which was abandoned by virtue of the surrender of the common law copyright.

Sixth. The court erred in affirming the decree of the court below dismissing the bill of complaint.

Wherefore appellant prays that the said final order or decree herein be reversed, and for such other and further relief as may be equitable.

ARGUMENT.

I.

Jurisdiction.

The jurisdiction of this court to hear and determine this appeal is clear.

It is a suit based upon a statutory copyright and the amount in controversy is shown to be more than one thousand dollars besides costs.

See affidavits of Bobbs and Curtis, Trans., pp. 181-2;

Also Evidence, Trans., p. 41;

Press Publishing Co. v. *Monroe*, 164 U. S. 105;

United States v. *Freight Association*, 166 U. S. 290-310;

Whiteside v. *Haselton*, 110 U. S. 296.

II.

Questions Involved.

The sole questions presented on this hearing in this case are two:

1. Is it competent for the owner of a copyrighted book, by a restriction printed upon the page containing the copyright notice, to control the price of the book in the hands of a book dealer?

2. If so, is the restrictive notice printed in "The Castaway" adequate to that end?

Preliminary to a discussion of these questions we beg to say that the matter here involved is of statutory copyright pure and simple; that no question of common-law

rights or property of either the author or publisher is presented. We claim the right to control the price under the provision of the statute which gives the owner of a copyright the "sole" right of "vending" in strict analogy to the right of the owner of a patent to control the price of the patented article under the statutory use of the same word.

Indeed, there is no such thing as common-law copyright. This court has so expressly adjudged.

Hence, the discussion in the opinion of the circuit court of appeals, of so-called common-law copyright is quite apart from any question here involved; and the statement quoted from Drone on Copyright as follows: "The two rights do not co-exist in the same composition; when the statutory right begins, the common-law right ends. Both may be defeated by publication," "Drone on Copyright 100," is wholly irrelevant. If there is no such thing as common-law copyright in this country, it seems a misuse of language to say that "when the statutory right begins the common-law right ends," but we shall discuss this subject further along.

We address ourselves first to the opinion of the trial court and the argument of counsel, and shall later discuss the opinion of the circuit court of appeals.

III.

Statutes.

The statute, section 4964, has no bearing on the case.

His honor, the district judge, appears to be of the opinion that section 4964, as amended by the act of 1891, is the exclusive and only measure of the rights and remedies of the owner of a copyright. This position, in view of the authorities he cites, and of the statutes, is certainly

remarkable. He quotes section 4952, R. S., as amended by the act of 1891, as follows (Tr., p. 135):

"The author or proprietor of any book shall, upon complying with the provisions of this chapter, have the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing and vending the same."

1 Supplement R. S., 2d edition, 1874 to 1891, page 951.

He then quotes section 4964, as amended by the act of 1891, as follows (Tr., p. 135):

"Every person who, after the recording of the title of any book and the depositing of two copies of such book as provided by this act, shall, contrary to the provisions of this act, within the term limited, and without the consent of the proprietor of the copyright first obtained in writing, signed in the presence of two or more witnesses, print, publish, dramatize, translate, or import, or, knowing the same to be so printed, published, dramatized, translated or imported, shall sell or expose to sale any copy of such book, shall forfeit every copy thereof and pay such damages as may be recovered in a civil action by such proprietor in any court of competent jurisdiction."

Thereupon the learned judge reaches and declares the following conclusion (Tr., p. 136):

"From this it would appear that an infringement by the sale of a copyrighted book consists in the selling or exposing for sale of a copy of such book that has been unlawfully printed or imported. If this be the law, it is not an infringement of a copyright to sell or expose for sale a copy or copies of such book when the same was lawfully printed or lawfully imported."

If this be the law, then every decision holding that a sale in violation of the restriction that the book is to be sold only on subscription is wrong; for in every such case

referred to in the opinion of the learned district judge the printing was lawful. According to this opinion, if the owner of a copyright were to print an edition of his book, and a pirate could get hold of all or any of the books by any sort of dishonest means, such pirate could not be enjoined from selling the same, because the books were lawfully "printed." Is it necessary to do more than state this proposition to demonstrate that it is not the law? The decision of the court of appeals of New York in the case of *Jewellers' Mercantile Agency* v. *Jewellers' Weekly Publishing Company* is exactly the reverse of this proposition.

155 N. Y. 241-247; 49 N. E. Rep. 872-3-4.

So also are the following decisions:

Gilmore v. *Anderson*, 38 Fed. Rep. 846;
Gilmore v. *Anderson*, 42 Fed. Rep. 267;
Fishel v. *Lueckel*, 53 Fed. Rep. 499;
Callaghan v. *Myers*, 128 U. S. 617;
Stevens v. *Gladding*, 17 How. 447.

The learned judge, while he does not use the word "only," evidently designs to be understood as construing section 4964 to mean that there can be no infringement of the copyright law by selling any book which has been lawfully printed or lawfully imported. And thereupon he proceeds to quote from Macgillivray on the Law of Copyright to sustain this conclusion, but it is submitted the quotation does not warrant the conclusion. Unfortunately, moreover, for the learned judge and his conclusion, he next quotes as his chief authority for his decision the case of *Harrison* v. *Maynard, Merrill & Co.*, 61 Fed. Rep. 689, a case arising under the act of 1891, where Judge Shipman, speaking for the circuit court of appeals, says:

"So long as the owner of a copyright retains the title to the copies of the book which he has the exclusive right to vend by virtue of the copyright, he can impose restrictions upon the manner in which and upon the persons to whom the copies can be sold. Having the exclusive right to vend, he has the right to appoint to whom the book shall be sold. If his agents, to whom he has intrusted the possession of his books, violate his instructions, and fraudulently sell to a person with knowledge or notice of the fraud, such fraud will be an infringement of the copyright, with which the original owner has never parted, and can be restrained by virtue of the statutes of the United States. Thus, if the owner of a copyrighted book intrusts copies of the book to an agent or employe for sale only by subscription and for delivery to the subscribers, and the agent fraudulently sells to non-subscribers, who have knowledge or notice of the fraud, such sale is an infringement of the original owner's copyright, who can disregard the pretended sale, and have the benefit of all the remedies which the statutes or the law furnish. This right to enjoy the benefit of the copyright statutes results from the fact that the owner has never parted with the title to the book or the copyright, although he parted with the possession of the book."

It is very remarkable, if the construction put on this statute by the trial judge is correct, that the learned judges who sat in and decided the Harrison-Maynard case did not discover that fact and realize that they were rendering an opinion in a moot case. There was in that case no question of the legality of the printing or importing; it was simply a question of unlawful sales, or of sales in violation of the copyright law. That decision also distinctly recognizes the right of the owner of the copyright to make terms in his sales.

The learned judge next cites the case of *Clemens* v. *Estes*, 22 Fed. Rep. 899. That case arose pending section 4964 before the amendment of 1891, but, so far as the question here involved is concerned, that statute was not

changed by that amendment. The words used in the original statute are the same as those in the amended statute, viz.: "Knowing the same to be so printed, published, or imported," etc. Yet there is not a suggestion in the opinion of Judge Colt of any such an idea as that, if the books were lawfully printed, there could be no violation of the copyright in selling them without license.

Again, the learned judge quotes from the opinion of Judge Hammond in the *Henry Bill Publishing Company* v. *Smythe*, 27 Fed. Rep. 914-925. In that case the sole question was as to whether it was a violation of the copyright law for a party who had surreptitiously obtained copies of the genuine books, without the consent of the owner of the copyright, to sell the same. There was no question of illegal printing, publishing or importing; all the books were printed by parties who had a right to print and publish the same, but it was held that the defendant, having fraudulently obtained possession of some of such books, without the consent of the owner of the copyright, could not be permitted to sell the same, and he was enjoined and required to pay damages.

In the Henry Bill case, at page 917, the language of Judge Hammond is directly at variance with the statement made by Judge Ray:

"But this statute does not stop there. It gives the copyright holder special, if not extraordinary, remedies at law and in equity to protect his property not only against infringement by piracy, but, as I think, against unauthorized sales of genuinely printed copies."

It is also worthy of note that in the only other copyright case cited by the learned judge in his opinion, in the Snellenburg case, 131 Fed. Rep. 530, the idea urged in this opinion, that there can not be a violation of the copyright statutes by a sale of a book which has been properly

printed or imported, is not suggested, and it seems to us that the reason why it is not suggested in any of these cases is very apparent.

The statute, section 4952, quoted in the opinion, confers a right, viz.: the exclusive right of vending a copyright book.

Section 4970, R. S., provides:

"The circuit courts, and district courts having the jurisdiction of circuit courts, shall have the power, upon bill in equity filed by any party aggrieved, to grant injunction to prevent the violation of any right secured by the laws respecting copyrights, according to the course and principles of courts of equity, on such terms as the court may deem reasonable."

Here we have in one section the grant of a right; in another section the grant of the power of a particular court in a particular way to protect that right by injunction.

Gilmore v. *Anderson*, 38 Fed. Rep. 846;
Gilmore v. *Anderson*, 42 Fed. Rep. 267;
Fishel v. *Lueckel*, 53 Fed. Rep. 499.

4966

Then in section 4964, as it stood originally, and as it stands now as amended, we have a statute providing an additional remedy for the injury in the wilful, knowing sale of a book unlawfully printed or imported, viz., a forfeiture of all the books, and a claim for damages to be recovered in a civil action at law.

To say that this section 4964 is exclusive is to say that no injunction can be granted for the violation of a copyright at all—an idea, it is respectfully suggested, that never was heard of or thought of before.

Finally as to this point, the fact that sections 4964 and 4970 are intended to and do furnish different remedies,

Schumacher v. Schwencke
25 F.R. 466

one at law and the other in equity for the same wrong is shown in *Stevens* v. *Gladding*, 17 How. 447.

Callaghan v. *Myers*, 128 U. S. 617;
Gilmore v. *Anderson*, 38 Fed. Rep. 846;
Gilmore v. *Anderson*, 42 Fed. Rep. 267.

Schumaker v. Sweeten 25 F R 466

IV.

Monopoly—Sherman Act.

In view of the fact that the circuit court of appeals in this case refused to hear argument in support of the contention that complainant was seeking an unlawful monopoly and was violating the Sherman act, we, perhaps, should not discuss that question in this brief. But as counsel and the trial court tried to make much of this point, we submit what touched this matter in our brief below.

Does the fact that the Bobbs-Merrill Company, complainant, at the time this book was published and ever since, has been a member of the American Publishers' Association, under the agreement, Exhibit "H," preclude it from maintaining this action to enforce the restrictive notice above set forth?

We say under Exhibit "H," because Exhibit "H," adopted April 1, 1904, superseded all other agreements. Therefore, all former agreements are out of the case. (Tr., p. 83.)

First. We insist that none of these agreements are material, not even Exhibit "H," even if it were conceded to be unlawful, which is denied. The fact that a party having rights under a patent or a copyright, or under an ordinary contract, may be a member of an unlawful combination does not preclude the enforcement of his patent, his copyright, or his contract rights, provided, of course,

that he is not compelled to resort to pleading and proof of his unlawful act to sustain his contract. But without stopping to discuss that question, the authorities are abundant and overwhelming that in a suit for an infringement of a patent right—and a copyright stands upon the same footing—the fact that complainant is a member of an unlawful combination is wholly immaterial. We need not go outside the second circuit for such decisions.

Strait et al. v. *National Harrow Company*, 51 Fed. 819;

Edison Electric Co. v. *Sawyer-Man Electric Co.*, 53 Fed. 592;

Celluloid Manf. Co. v. *Goodyear Dental Co.*, 13 Blatchford 375;

Hulse v. *Bonsack Mach. Co.*, 65 Fed. 864;

Fuller v. *Berger*, 120 Fed. 274-278;

Brown Saddle Co. v. *Troxel*, 98 Fed. 620.

In the Edison Electric Company case, *supra*, Judge Wallace, speaking for the circuit court of appeals, says:

"We are not disposed to investigate upon the present case the character of the combination which has been formed under the name of the 'General Electric Company.' Whether that combination is intended to fetter competition, and is illegal as one in restraint of trade, is a question which we should not undertake to decide upon the evidence before us and in a suit to which it is not a party. The present complainants are entitled by the patent laws to a monopoly, for the term of the patent, of the manufacture and sale of the lamps made under it. The right to this monopoly is the very foundation of the patent system. They do not lose that right merely because they may have joined in a combination with others, holding other patents securing similar monopolies, which combinations may, when judicially examined in a proper forum, be held to be unlawful. We do not feel justified in assuming upon the facts before us in the present suit that

the use which the complainants propose to make of the injunction—an injunction which seems necessary to secure their monopoly and make their patent fruitful—will be such as to promote any other monopoly. When it shall be made to appear that some one, to whom in fairness and good conscience these complainants should sell their lamps, has been arbitrarily refused them, save upon oppressive and unreasonable terms, it will be time to consider whether the complainants should be allowed to continue in possession of the injunction."

The same doctrine has been announced times without number:

American Soda Fountain Co. v. *Green,* 69 Fed. 333;
Columbia Wire Co. v. *Freeman Wire Co.,* 71 Fed. 302;
National Folding Box and Paper Co. v. *Robertson,* 99 Fed. 985;
Bonsack Machine Co. v. *Smith,* 70 Fed. 383;
Otis Elevator Co. v. *Geiger,* 107 Fed. 131;
U. S. Consolidated Seeded Raisin Co. v. *Griffin & Skelley,* 126 Fed. 364;
General Electric Co. v. *Wise,* 119 Fed. 922.

And above all, in

Bement v. *National Harrow Co.,* 186 U. S. 70.

Indeed, his honor, the district judge, at some points in his opinion, seems to concede and does concede this to be the law, yet cites with apparent approval cases holding directly the contrary, such as *National Harrow Co.* v. *Quick,* 67 Fed. 130, which was disapproved as to this point in the Circuit Court of Appeals in the case of *National Harrow Co.* v. *Quick,* 74 Fed. 236 to 239, and repudiated in *National Folding Box Co.* v. *Robertson,* 99 Fed. 985.

The same defense, viz., membership in the American Publishers' Association, was pleaded in *Scribner* v. *Straus*, 130 Fed. 389, in the circuit court for the southern district of New York, and stricken out by order of his honor, Judge Lacombe, for impertinence, although the suit was brought to enforce the rules of the American Publishers' Association. The following opinion was read by Judge Lacombe in that case:

"On exceptions to clauses in answers which set up the anti-trust statutes, state and federal. Lacombe, C. J.

"If, as defendant contends, the bill does not set forth a cause of action under the copyright laws, this court will have no jurisdiction, there not being the requisite diversity of citizenship; and either upon plea or demurrer, or at hearing on bill and answer, or on bill and answer and proofs, the action may be dismissed. That question is not now properly presented, and, assuming that the bill sets forth, as it evidently undertakes to do, a cause of action under the copyright statutes, the exceptions to the parts of the answer specifically indicated appear to be sound. There is such an analogy between actions under the patent laws and actions under copyright laws that like rules of practice should be applied in both cases."

Much more clearly is this matter wholly immaterial to the case made upon the bill here. The bill does not claim anything under the Publishers' Association plans, agreements or arrangements, does not seek to enforce any rights by reason of any rules of such association, or even mention the name of such association. It counts upon the restrictive notice in the book, and upon nothing else. If that notice is insufficient, the bill is plainly demurrable; if it is sufficient, we most respectfully submit that no facts stated in the answer and no facts shown in the proof meet the case so made or preclude a recovery.

Moreover, it can not be successfully or even plausibly argued that the principles announced in the above patent

cases, by which an infringer is prevented from setting up as a defense that the party whose rights he is infringing is a member of a trust combination, do not apply in this case.

The Supreme Court of the United States has applied that principle, not merely in cases of patents, but to ordinary contract obligations.

In *Connolly* v. *Union Sewer Pipe Company,* 184 U. S. 540, it is held that the fact that a corporation is a member of an unlawful combination does not prevent its recovery of the price of goods sold, and in so holding it cites and quotes from the case of *Strait* v. *National Harrow Company,* 51 Fed. 819, *supra,* as a proper exposition of the law. That was a patent case. The principle is announced by the supreme court in Union Sewer Pipe case that the attempted defense of unlawful combination was collateral to the matter in litigation, and that in such case the defense is not good.

So in *National Bank and Loan Company* v. *Petrie,* 189 U. S. 423, on page 425, the supreme court says:

"But a person does not become an outlaw and lose all rights by doing an illegal act."

See also *Board of Trade* v. *Christie,* 198 U. S. 236, on page 252.

The same doctrines have been announced repeatedly in the circuit court of appeals and circuit courts:

Davis v. *A. Booth & Co.,* 131 Fed. 31;
Metcalf v. *American School Furniture Co.,* 122 Fed. 115;
Gilbert v. *American Surety Co.,* 121 Fed. 499;
Harrison v. *Glucose, etc., Co.,* 116 Fed. 304.

Second. In the second place, with reference to this assumed defense, by reason of complainant's connection

with the American Publishers' Association, we submit that his honor, the district judge, has made for himself premises which are false and baseless, and upon these premises has rested his conclusion. (Page 130.) He says:

"It is found and conceded that the complainant is living up to and enforcing the agreements, rules and regulations aforesaid, as modified, of course, and has published and is publishing all its books, including 'The Castaway,' because thereof and in accordance and compliance therewith. It follows necessarily from the facts recited, from 1 to 23, inclusive, and is found as a further fact, that the notice in 'The Castaway' on the page following the flyleaf, viz.:

" 'The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. THE BOBBS-MERRILL COMPANY.'

"is an act done by the complainant acting in combination with the said American Publishers' Association and the American Booksellers' Association and the members thereof, in execution of the said combination and agreement, and for the purpose of enforcing the same, and because of said combination and agreement, as evidenced by the acts of and the resolutions and rules adopted and made by such association and agreed to and being executed by the members of said association, including the complainant."

We most respectfully insist that this is a statement and a conclusion entirely unwarranted by the evidence and agreements of the parties. Not only is it unwarranted, but it is not based upon any evidence, and is directly in the teeth of all the evidence on the subject. The only pretense of support for this statement is in paragraph 12 of the stipulations, on page 88 of the record, which reads as follows:

"*Twelfth.* That the complainant was, since May, 1901, a member of the American Publishers' Association and a party to all the agreements of said association hereinbefore set forth, and obeyed and lived up to all the rules and regulations of the American Publishers' Association hereinbefore set forth, and published all its books, including 'The Castaway,' in accordance with the rules and regulations of the association above set forth."

There is not here one word showing that the Publishers' Association had anything to do with the restrictive notice; that it was put in the book by reason of any suggestions or rules of the association, or that the association had any knowledge of such notice. There is no proof nor suggestion in the record that the association had any such practice or idea touching any such notice, nor that any other member of the association ever published such a notice, nor is there any statement in the evidence that "The Castaway" was published because of the agreements, rules or regulations of the association. This twelfth paragraph is an agreement that complainant lived up to and published its books, including "The Castaway," in accordance with the rules and regulations of the Publishers' Association, and that is all; but it did more. It framed and published this notice, as Mr. Curtis testifies, as an entirely new departure, and the fact that it otherwise conformed to the rules of the association is wholly immaterial.

Where, then, is the warrant for the "finding" as a further fact that the notice in "The Castaway" on the page following the fly-leaf:

"The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright. THE BOBBS-MERRILL COMPANY."

is an act done by complainant acting in combination with

the American Publishers' Association, even if the evidence stopped right there?

But in view of the fact that there is not in the answer, or anywhere else in the record, a word averring this to be the fact, and in view of the evidence of Mr. Curtis, which shows, without any contradiction from any one, that the American Publishers' Association had nothing to do with it, the finding is most surprising. At the expense of repetition, we quote some of this testimony (Tr., p. 43):

"Q. Was this action brought in the interests of the American Publishers' Association?"
"A. No."
"Q. Was it brought at the request of the American Publishers' Association?"
"A. No, the American Publishers' Association knew nothing of the action nor of the plan of the action, and had nothing whatever to do with it."

Again, on page 44 (cross-examination):

"Q. 'The Castaway' was published under the net price system at one dollar net, was it not?"
"A. No; it was published under the copyright clause which is in each copy of the book on the copyright page."
"Q. Don't your corporation obey the rules of the American Publishers' Association?"
"A. Yes."
"Q. Isn't it a fact that this book comes under the rules of the American Publishers' Association?"
"A. No, it is a new departure."
"Q. Isn't it a fact that the net retail price of this book, 'The Castaway,' is published by you on the cover of the book?"
"A. No."
"Q. Is that the difference between your book and the other books?"
"A. No."
"Q. What other difference is there between your book,

'The Castaway,' and those that are published under the net price system of the American Publishers' Association?"

"A. 'The Castaway' is published with the clause on the copyright page which makes it a condition of the copyright that the price should be one dollar at retail."

The witness then goes on to state the difference from the association publication, in that the price is specially advertised in all the trade journals, and special attention called to the notice; that it is a lower retail price than the association rates, and that there was a marked difference, because it was a novelty, in the plan and the conditions by which the price was to be maintained.

He further states the book was not issued as a regular net book under the rules of the American Publishers' Association, but was issued at a price of one dollar, which was made a part of the condition of the copyright.

And further, on page 52, the witness says that they expected to increase sales by reason, partly of lower prices, mainly because they were protecting the price by the clause on the copyright page.

If it be suggested that the witness is not asked, and does not state in just so many words that the American Publishers' Association had nothing to do with putting the restrictive notice in the book, it is sufficient to say that there is no averment in the answer that it had anything to do with that matter, and as defendant had offered no proof on the subject, it was assumed that it would be treated like any other immaterial matter which was neither pleaded nor proved.

As matter of fact the finding that this notice "is an act done by complainant acting in combination with the American Publishers' Association," contradicts itself. The publication of such a notice in one book could have no possible effect upon the sale of any other book. It is

a matter in which every publisher, if others should have adopted it, would necessarily have to act in each individual case for itself. No agreement, combination or scheme of two, of several, or of all publishers could make it anything but the individual act of the owner of the particular copyright, and such agreement could not give it any possible effect with reference to any other book.

Indeed, not only is it impracticable for two or more parties owning different copyrights to insert such a notice or limited license in a book; but if each can lawfully and effectually do it for himself, there is no reason or motive for such combined action or for the existence of the publishers' association.

Moreover, again, if the making and publishing of this notice was an act which the Bobbs-Merrill Company acting alone had a right to do, then, even if it were true that they did it by reason of an agreement with other publishers, that fact could not change its legal effect. If it was lawful and right the Bobbs-Merrill Company had a right to do it, and if it was lawful and right no agreement with others could make it unlawful and wrong, because nothing is better settled than that the law does not take cognizance of the motive or purpose of a party in doing a lawful act.

In *United States Chemical Company* v. *Provident Chemical Company*, 64 Fed. Rep., page 950, Judge Priest expresses the law on this subject:

"But it is said that the defendant had, by its part in the transaction, such a purpose in view. This may be. The intent is only condemned as it is manifested in an unlawful act. If a person does a lawful act with a vicious intent he is without the pale of legal punishment."

Authorities without limit might be cited on this propo-

sition. Those cited above, however, would seem to be sufficient.

We beg, however, to call the attention of the court to the opinion of Judge Simonton in a case where an attempt was made to lug in this sort of defense to a suit for an infringement of a patent right.

Bonsack, etc., Co. v. *Smith*, 70 Fed. Rep., page 383. On page 386 the judge says:

"Do the complainants hold letters patent of the United States giving them the exclusive right to make, vend, and use certain patentable devices? Have the defendants infringed the rights thus granted? If, in procuring these exclusive rights, or if in their exercise, the complainants have been guilty of fraudulent or improper conduct toward these defendants, the fundamental principles relied on would debar them of any relief in this court. But if, in the absence of these, it is sought to deprive them of their remedy for the infringement of their rights because of their motives in obtaining them, or of their motives in asserting them, such motives are not the subject of judicial inquiry. *Strait* v. *National Harrow Co.*, 51 Fed. 819. The rule that one coming into equity must come with clean hands is confined to the conduct of the party in the matter before the court, and not to matters *aliunde*. Courts of equity, as well as courts of law, will not refuse redress to the suitor because his conduct in other matters not then before the court may not be blameless. It is enough if the suitor shows that he has acted justly, fairly, and legally in the subject matter of the suit.

Beach Eq. Jur. 16, and cases cited.

"The iniquity must have been done to the defendant himself, and must have been done in regard to the matter in litigation."

Without further elaborating the discussion of this question we ask the attention of the court to the following illustration:

Suppose that a dozen corporations, all citizens and residents of states other than the state of New York, for purposes and reasons that to them seemed satisfactory, should enter into an agreement, combination (and, if you choose to call it so, conspiracy), whereby each agreed with the others that in any case where they should be respectively sued in the courts of New York they would respectively file their petitions and bonds as prescribed by the federal statute and remove their respective cases for trial into the federal court of the proper district. And suppose that, thereafter, a case being removed by one of such parties, a motion should be made in the circuit court to remand the case to the state court or in any way to question the jurisdiction of the federal court, because of such agreement, is it supposed any lawyer could be found, who knows anything about the question of federal jurisdiction, who would attempt to maintain that the combination agreement destroyed the jurisdiction, or prevented, restricted, narrowed, destroyed or in any way affected the right of the party to assert all his rights in the federal court under such removal? Yet, it seems to us perfectly clear that the combination agreement in that case would have just as much significance as the combination agreement in the case at bar, if, as the learned trial judge "finds," this restrictive notice had been put in this book in pursuance of such combination agreement.

V.

Decisions Cited by Appellees.

Before presenting the main argument in support of our contention as to the effect of the restrictive notice, we wish to consider the principal decisions upon which our opponents rely.

The first of these cases is *Harrison* v. *Maynard, Merrill & Company*, 61 Fed. Rep. 689. This case appears to have been heard by Judges Shipman and Wallace. In his opinion the district judge states that Judge Lacombe was also present, but the report shows this was a mistake. It does not seem to us that that case is in point at all or that the question here before the court was involved in its decision. In that case the complainant, being a book publisher, the owner of a copyright of a school book, had sent to one Alexander's book bindery in New York City the unbound printed sheets of this book, to be stored there until it gave Mr. Alexander an order to bind a specific quantity, and Alexander would sometimes bind a lot in anticipation of such orders. A fire occurred in the bindery, destroying, as complainants supposed, the commercial value of all its property in the building. One of its employes so reported to it. Thereupon Alexander, *with the complainant's permission,* sold absolutely all its copyright books in his cellar *without restriction* or *limitation,* and his vendee obtained the entire title to these volumes. The purchaser at this sale, one Fitzgerald, sold them to another party, who resold the same to some Italian dealers in waste paper, from whom Harrison obtained the same. Fitzgerald incorporated in the contract of sale this provision:

"It is understood that all paper taken out of the building is to be utilized as paper stock and all books to be sold as paper stock only and not placed on the market as anything else."

Thereafter the complainant, learning that defendant in the case, one Harrison, a citizen of New York, residing in New York, a dealer in second-hand books, had possession of some of these books, and, as it understood, was

selling or about to sell the same newly bound, brought its bill in equity to enjoin such sales.

It was held, and rightly held, that the suit could not be maintained. Of course, after complainant had permitted and authorized its agent to sell these books, *without restriction or limitation* of any kind, and thereby parted with the entire title and rights of every kind, it could not reinstate itself in its rights as the owner of the copyright, and avail itself of a restriction attempted to be placed upon sale by its vendee, who had no copyright. Upon what theory could it be claimed that by a restriction imposed upon this transfer by Fitzgerald, to whom complainant had passed its entire title without restriction *but not its copyright*, complainant's rights as owner of the copyright could be reinstated? It would seem that if any one had a right of action touching the subject matter, it would have been Fitzgerald, and that for breach of contract only, and not for infringement of the copyright. At least it is perfectly clear that complainant retained no such right of action upon either ground.

Upon the most common analogies this must be true. Suppose the owner of a lot sells, giving a deed with a condition subsequent for reversion, and suppose that thereafter the grantee makes a sale of the same and the original grantor consents to such sale without condition. Can the original grantor, even as against a party who takes with full knowledge of the original condition reenter for breach or enforce the same in any way? Clearly not. The condition, once gone, is gone forever.

> 1st Washburn Real Property (2d ed.), p. 314;
> Taylor's Landlord and Tenant, Sec. 286;
> *Dumpor's Case*, Cro. Eliz. 1815.

Would any one contend that the maker of a promissory note who has a defense thereto, if he waives that defense

once and allows the payee to sell it free of restriction, could afterward assert his defense against a subsequent endorsee with notice of the original defense? Or take any of the patent cases in which it has been held by numerous courts that the patentee, by a notice stamped or otherwise placed conspicuously upon the machine, may restrict the price and terms upon which the same may be sold. Is it supposed that, if the patentee should once consent to an absolute sale of such a machine without reservation of any kind, he could afterward avail himself of an attempted restriction placed upon a subsequent sale by his vendee and grantee? It seems to us the question answers itself. When the patentee once consents to an absolute and unqualified transfer, without limitation of any kind, his title, not only as an ordinary property owner, but his rights as patentee to control the sale are gone forever. Certainly no third party, being a remote grantee, can impose a new restriction or any restriction of which the patentee can avail himself.

We are not unaware that this decision in the Harrison case was made by eminent judges. None the less it seems to us perfectly clear that all that was said on the question of the right of the owner of a copyrighted book to make a restricted sale thereof was pure *obiter*, because the *complainant* had made no attempt to make a restricted sale, but had made an unconditional sale; and it is simply another illustration of the declaration of the old poet Horace that "even Homer sometimes nods."

Another copyright case cited is *Clemens* v. *Estes*, 22 Fed. Rep. 899. And we venture also to state that no question here involved was before the court in that case. That was a suit for injunction in the district of Massachusetts against Estes and Lauriat, booksellers and publishers, to prevent their selling at a cut price of $2.25, Mark Twain's book "Huckleberry Finn," which was be-

ing sold only as a subscription book, the regular subscription price being $2.75. It appears that the canvassing agents, breaking faith with Mark Twain and his publisher, Webster & Company, contrary to their agreement to sell only to subscribers and that for the full retail price, agreed to sell a lot of the books to the defendants, and that defendants were about to publish their holiday catalogue advertising the books for sale at $2.25. Judge Colt decided that the complainant was not entitled to an injunction because it appeared that the defendants had no notice. He says:

"To entitle the plaintiff to any relief of the character asked for he must first show that the defendants had notice of the terms of the contract between himself and his agents. In their affidavits the defendants deny any such knowledge, and we must be governed by the proof before us. Nor is there any evidence going to show that defendants tried to induce the agents to sell the books or to break any contract. In the absence of any notice of the contract, the defendants had a right to buy or contract to buy books from agents who lawfully obtained them from the plaintiff or his publishers, and had a right to advertise for sale and to sell such books at any price they saw fit."

What bearing the decision in that case has upon the case at bar is not apparent.

Nor is the opinion of Judge Hammond, in *Henry Bill Publishing Company* v. *Smythe*, 27 Fed. Rep. 914, more in point. In that case the complainant was the owner of the copyright of Mr. Blaine's "Twenty Years in Congress" and sold it by subscription only to individual buyers of single copies. The book had never otherwise been placed upon the market by the plaintiff or with its consent. It employed agents to solicit subscriptions and deliver the copies ordered, assigning to each a certain terri-

tory. An agent so employed in New York, to whom plaintiff had sent a number of copies for delivery to certain subscribers procured by him, sold the copies to a book dealer in Troy, contrary to plaintiff's instructions and in violation of an express agreement and of his bond, that he would not sell or deliver in any other method than that directed by the plaintiff, and he applied the money received on such sales to his own use. It did not appear whether the Troy dealer was aware of the breach of trust or a party to it by collusion with the agent, but it did appear that it was generally known to the trade, and that it was known to the defendant, that the plaintiff professed to sell the book only by subscription and had announced, by public advertisement and otherwise, that in no other way could it be procured from the publishers. Defendant had expressed the belief that the book could be obtained otherwise than by subscription and he ordered the book from the Troy merchant, obtained six copies and sold five of them at a profit of $5.86. Defendant claimed and testified that he was not aware of the facts connected with the Troy dealer's purchase, and there was no proof that he was, but he ordered the books without any inquiry upon the subject, and the plaintiff's agent at Columbus, Ohio, where it did business, notified him that he was the only authorized agent for that section, that the book was sold only by subscription, and warned him not to sell the copies he was offering. Upon these facts Judge Hammond held, and correctly held, that the complainant was entitled to an injunction.

But how that decision helps defendant in the case at bar is not apparent. The *decision* in that case is in favor of our contentions here, since it adjudges that there was a limited publication and a limited sale, and grants an injunction accordingly. It is true that in the course of a very long opinion Judge Hammond states that "the cita-

tions of counsel from our decisions on patents seem plausible and forcible as analogies, but in view of what the courts have said about false analogy in that direction, I have discarded those decisions for fear of being misled by them." Quoting *Baker* v. *Selden*, 101 U. S. 99, and other cases, he continues: "But it is worthy of suggestion that perhaps the analogy is less at fault in this incident of a monopoly of sale than in other features of similarity."

With the greatest deference for Judge Hammond, it is respectfully submitted that the analogy between a patent right and a copyright as to this question of monopoly of *vending* has never been denied in any court in this country until it was denied in the Snellenberg case by the district judge of the eastern district of Pennsylvania. There is nothing in any of the cases cited by Judge Hammond that at all militates against our contention in this case.

In *Baker* v. *Selden*, for instance, 101 U. S. 99, the question was whether the author of a system of bookkeeping by his copyright became entitled to a monopoly of the *system*, and Mr. Justice Bradley there pointed out that the distinction between a copyright and a patent right was this: that in a patent right the patentee obtains a monopoly of his idea; in the copyright he obtains only a monopoly of his book or the particular tangible form in which his idea is embodied. Accordingly the courts have held that a translation into German of "Uncle Tom's Cabin" was not an infringement of the copyright.

Stowe v. *Thomas*, 2 Wall. Jr. 547; Fed. Cas. 13,514.

Also that an abridgement or digest of a book is not an infringement of a copyright.

Lawrence v. *Dana*, 4 Clifford 1; Fed. Cas. 6,136.

But nowhere has it ever been held, prior to this litigation, so far as we have been able to find, that the same principle which authorizes the owner of a monopoly in a machine, by a notice stamped or clearly shown upon the machine, to limit its price, is not equally applicable to a notice placed in a conspicuous place on the copyright page of the book by the owner of such copyright, except only in the Snellenberg case, decided since this suit was commenced, and which was not upon final hearing, but on a motion for a preliminary injunction only, and the opinion proceeds on the theory that defendants did not have actual notice of the restriction in our book until after purchase.

An examination of the opinion of Judge Holland in the Snellenberg case shows that his reliance is upon the Harrison-Maynard case, 61 Fed. Rep., page 689, and *Henry Bill Publishing Company* v. *Smythe*, 27 Fed. Rep. 914, which we have just discussed. If, as we think, it has been shown those cases are not in point, then his decision, in so far as it rests upon them, is disposed of. But he announces as the district judge who tried this case announces that "the copyright statutes could not be invoked to control the retail trade of books, the title to which the copyright owner has transferred."

If by the words "the title to which the copyright owner has transferred" is meant that he has transferred the same without limitation, the proposition is not questioned; but if it be meant that the owner of the copyright can not prescribe limitations upon which the books may be sold in the trade, then we deny the proposition, and we say it is directly at variance with the cases above cited touching the subject, for they all proceed upon the basis that as against a party who has sold or is selling in violation of the terms prescribed by the owner of the copyright an injunction may issue.

Thus, in the case of Mr. Blaine's book and of Mark Twain's book, the whole discussion proceeded upon the idea that the owner of the copyright had a right to fix the price and the manner of sale, that is, by subscription, and the Harrison-Maynard case proceeds upon the same idea. But Judge Holland asks, where would such a right end? We respectfully ask as a counter question,—where does the right end when the patentee attaches to his patented machine a like restriction as in the

Edison Phonograph Co. v. *Kaufmann et al.*, 105 Fed. 960;

Edison Phonograph Co. v. *Pike*, 116 Fed. 863;

National Phonograph Co. v. *Schlegel et al.*, 128 Fed. 733, C. C. A., 8th Circuit;

Heaton-Peninsular-Button-Fastener Co. v. *Eureka, etc., Co.*, 77 Fed. 288, C. C. A., 6th Circuit;

Cortelyou v. *Lowe*, 111 Fed. 1005, C. C. A., 2d Circuit;

Victor Talking Machine v. *The Fair*, 123 Fed. 424, C. C. A., 7th Circuit.

And numerous other cases might be cited.

See also *Dickerson* v. *Tinling*, 84 Fed. 192, and *Dickerson* v. *Matheson*, 57 Fed. 524.

In each of these patent cases the restriction was upheld upon the ground that the patentee having the exclusive right to vend had the exclusive right to fix the price and terms of such vending. It is just as easy to imagine embarrassment of a purchaser for his own use of one of these patented machines, as, for instance, a button fastener, having partially worn the same out, desiring to sell it as a second-hand machine, as it is to imagine embarrassment to the owner of a book who has purchased it for his own use, but desires to sell it second-hand. It is suf-

ficient answer to argument based upon such embarrassment to say that it is an extreme case, (and the law is not made by or for such extreme cases), that there has been no effort to control or in any way to affect such a second-hand sale or disposition either of the machine or of a book, but the restrictions are directed solely to dealers—men who handle goods for the purpose of profit, and who seek in one case to pirate the patent and in the other case to pirate the copyright for the purpose of making money.

We respectfully submit that if there is any *principle* applicable to such a restriction as applied to a patent which is not equally applicable to a copyright, that principle has not been stated in any of the opinions to which reference has been made in support of the conclusions reached in this case and in the Snellenberg case.

VI.

Analogy of Patent Cases.

The counsel for appellee and the learned district judge who decided this case attempt to discriminate the patent cases upon which we rely, and to show that the notices in those cases were more specific and more clearly *conditions* of sale than in the case at bar.

It does not seem to us that this attempt is successful. In the Victor Talking Machine case the notice was as follows in full:

"Notice: This machine, which is registered on our books No. ...., is licensed by us for sale and use only when *sold* to the public at a price not less than $——. No license is granted to use this machine when *sold* at a less price. Any *sale* or use of this machine when *sold* in violation of this condition will be considered as an infringement of our United States patents under which this

machine and records used in connection therewith are constructed, and all parties so *selling* or using this machine contrary to the terms of this license will be treated as infringers of said patents, and will render themselves liable to suit and damages. This license is good only so long as this label and the above-noted registered number remain upon the machine, and erasures, or removal of this label, will be construed as a violation of the license. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation. VICTOR TALKING MACHINE CO."

It is believed that the legal effect of this notice would have been precisely the same as to the question here under discussion if it had omitted the last two sentences, as follows:

"A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation."

These two sentences really are nothing more nor less than an attempt by the Victor Talking Machine Company to state conclusions of law upon what has gone before. They state no fact, they declare no intention; they simply say that upon what has been stated the legal results follow.

Moreover, the restriction imposed was upon the *sale* and upon the right of the purchaser to use the patent on a sale contrary to the restriction, and the suit was not to enforce a forfeiture under the contract, but to declare an infringement by violation of the terms of *sale*.

It seems to us idle to attempt, as was done in the courts below, to claim that the infringement in that case was in the use. It was distinctly an infringement by a sale at a cut price, and so the court held. In *Bement* v. *National Harrow Co., supra,* the power of the owner of the patent

to limit price was expressly involved and decided. This court in that case says:

"The provision in regard to the price at which the licensee would sell the article manufactured under the license was also an appropriate and reasonable condition. It tended to keep up the price of the implements manufactured and sold, but that was only recognizing the nature of the property in and providing for its value as far as possible. This the parties were legally entitled to do. The owner of a patented article can, of course, charge such price as he may choose, and the owner of a patent may assign it or sell the right to manufacture and sell the article patented upon the condition that the assignee shall charge a certain amount for such article."

But in several of the other cases there is no such variation in language between the notice on the machine and notice in this book. For instance, in the *National Phonograph Company* v. *Schlegel*, 128 Fed. 733 (C. C. A., 8th Cir.), there was a jobbers' agreement whereby the purchasers bound themselves:

1. To sell only at certain named prices.

2. To sell to no retail dealer who does not sign a prescribed and similar agreement governing and controlling sales by retail dealers.

3. "All Edison phonographs, records and blanks are covered by United States patents and are *sold* under the condition that the license to use and vend them implied from such *sale* is dependent on the observance by the vendee of all the foregoing conditions; upon the breach of any of said conditions the license to use or vend said phonographs, records and blanks immediately ceases, and any vendor or user thereafter becomes an infringer of said patents and may be proceeded against by suit for injunction or damages, or both."

Here was no mere license, no condition for reversion,

but a *sale,* not a conditional sale, but the only penalty provided was that the license should cease and the licensee should be treated as an infringer.

It is worthy of note that this case reversed the decision of the court below, where the district judge for the southern district of Iowa had refused an injunction upon very much the same grounds as in the case at bar.

So in *Edison Phonograph Company* v. *Pike,* 116 Fed. 863, there was the same jobbers' agreement, and in addition this notice upon the boxes containing the goods:

"Notice to Dealers: This record is *sold* subject to restrictions as to the persons to and the prices at which it may be *sold.* Any violation of such restrictions makes the *seller* or user an infringer of the Edison patents."

It is submitted that this notice is no more stringent, no more makes a conditional sale, no more meets the requirements of the learned district judge in this case, than the restrictive notice in the case at bar.

Again, in *Cortelyou and Another* and *Neostyle Company* v. *Charles Eneu Johnson & Co.,* recently decided by the circuit court for the southern district of New York, 138 Fed. 110, the notice upon the machine was as follows:

"License Agreement: This machine is *sold* by the Neostyle Company and purchased by the user with the express understanding that it is licensed to be used only with stencil paper and ink (both of which are patented), made by the Neostyle Company, New York City."

The language of the notice in the case at bar is:

"The price of this book at retail is one dollar net. No dealer is licensed to sell it at a less price, and a sale at a less price will be treated as an infringement of the copyright."

If there is anything making a conditional sale in the Neostyle case it is not apparent; nor are we able to see wherein the notice is more clear, specific and effective than in the case at bar.

Again, in *A. B. Dick Company* v. *Roper*, 126 Fed. Rep. 966, Judge Brown, in the district of Rhode Island, held that the following notice was sufficient:

"This machine is *sold* by the A. B. Dick Co., with the license restriction that it can be used only with stencil, ink and other supplies made by A. B. Dick Co., Chicago."

And a like holding was made by the same judge upon apparently the same notice in *Brodrick Copygraph Co.* v. *Roper*, 124 Fed. Rep. 1019. This last case is referred to in the opinion in the Dick case. A like holding was made, on a like notice, by Judge Seaman of the eastern district of Wisconsin, in *Brodrick Copygraph Co.* v. *Mayhew*, 131 Fed. Rep. 92. 17 Blatchford 174

So, in *Cotton-Tie Company* v. *Simmons*, 106 U. S. 89, it appears that the only notice was, that there was stamped upon the metal of each buckle used in a cotton-tie these words:

"Licensed to use once only,"

yet it is shown that it was an actual sale. This court, on page 91, says: "The tie, consisting of the buckle and band, is *purchased* by the person who desires to use it," etc., and, while it does not appear that the question here at issue was directly decided in that case, it is significant that in that case this notice was quoted without criticism; and, again in commenting upon the same case in *Morgan Envelope Co.* v. *Albany Paper Company*, 152 U. S. 425, and at page 433, the notice is again quoted without criticism. In short, we believe we are safe in saying that the

case at bar is the only case where the suggestion has ever been made that this notice, or a similar notice, is not sufficient because it is not strictly in the form which would be required to make a transfer of property purely conditional and subject to reversion at common law. Even Judge Holland does not take this position, but plants himself upon the general position that such a transfer of personal property is not allowable and is contrary to public policy, the same position, by the way, which was taken by the trial court in several of the cases above referred to with reference to patents, and which were reversed by the circuit court of appeals of this and other circuits.

Among the cases so decided against the complainant in the court below and reversed in the court of appeals is the

Heaton Peninsular, etc., Co. v. *Eureka, etc., Co.*, 77 Fed. Rep. 288, 6th Circuit;

Victor Talking Machine Co. v. *The Fair*, 123 Fed. 424;

National Phonograph Co. v. *Schlegel*, 128 Fed. 733.

By reading the opinion of the district judge in the last cited case (117 Fed. 624), it will be seen that he also, as in the case at bar, was of the opinion that because the patentee was *selling* his patented articles and parting with title he could not control the price thereof.

He says:

"It probably is true that a patentee, or licensee of a patentee, can sell or refuse to sell the article covered by the patent. It quite likely is true that he can sell to whomsoever, many or few, he pleases. And it seems to be true that, by selling only to the selected few, he can thereby create and control a monopoly, free from interference by the public, and subject to no control by the courts. All this may be granted, and, for the purposes of this case, is

conceded. But the answer to this argument is that complainant, having, as it contends, the control of the patented articles, has sold them to the few and these few of its own selection; and, having sold the articles at its own price, to the parties thus chosen, can it, by contract, control the sales, other than by limiting a prescribed territory?"

And this question by the decision is answered in the negative, but reversed in the circuit court of appeals.

So the district judge, at circuit, in the Victor Talking Machine case, 118 Fed. 609, denying the injunction, says:

"Complainants charge that the transactions amounted simply to a license upon condition, viz., a limited license, and not to an absolute sale, and that, by reason of the sale of said machine at less than $25, defendant became an infringer. On the other hand, the defendant insists that the sale as originally made was an absolute sale of the machine, and that, if the complainant has any remedy, it grows out of the contract. The suit is for infringement of complainant's patent."

And in his conclusion, farther along, the judge says:

"There can be no doubt that a patentee can convey the whole or a part of a patented article; but can he make a completed sale of a completed article, so that the title vests absolutely in the purchaser, and afterward become reinvested with the title to that specific article? The notice, by its terms, binds only the person who sells to the public and the purchaser at such sale. The jobber took absolute title. There was no limitation upon him as to price or otherwise. Is it possible for a vendor to reserve a limitation to attach after a sale absolute? I do not think so. The patented article has passed, by the sale to the jobber, entirely out of the domain of the patent, and can not again be brought within that domain. If complainant has any remedy it is upon the alleged contract. This court is without jurisdiction in the premises."

We submit that, laying these opinions of Judge McPherson and Judge Kohlsatt alongside the opinion of his honor who decided this case, it is found that his opinion accords much better with the opinions of these district judges than with the opinions rendered in the same and similar cases in the circuit court of appeals reversing those decisions.

The judge who tried this case at circuit also in his opinion refers to a very recent decision by himself in *Cortelyou* v. *Charles Eneu Johnson & Co.* and *Brodrick Copygraph Co. of N. J.* v. *Same*, reported in 138 Fed. at page 110.

In the Cortelyou case the notice, and the only notice, the only restriction upon the sale of the property or its use, was as follows:

"License Agreement.

"This machine is *sold* by the Neostyle Company and purchased by the user with the express understanding that it is licensed to be used only with stencil paper and ink (both of which are patented) made by the Neostyle Co., New York City."

There is much said in the course of the opinion of the trial court with reference to the Bobbs-Merrill Company to the effect that there must be a condition upon the sale. His honor says, 139 Fed., page 185:

"The notice forms no part of a contract between the purchaser from the publisher and such publisher, nor does it limit or restrict the title of the purchaser. And this court will say here that it would be lending itself to the perpetration of a fraud upon the public should it hold differently. If the Bobbs-Merrill Company, in putting its books upon the market, desires to say to wholesalers and to retailers that it is not selling the entire title to the copies put upon the market, let it say so in plain and unambiguous terms. Let it say in its notice that the pur-

chaser of copies of the book from either the publisher or any wholesale or retail dealer is obtaining but a limited or qualified title in the copies purchased, or that in purchasing one or more copies such purchaser becomes but a mere licensee of the publisher, without title to the copies, and with power to dispose of the same only on receiving a specified sum of money."

We most respectfully ask why it is necessary that the Bobbs-Merrill Company should be so much more specific in its notice than the Neostyle Company? There is no pretense in the so-called license agreement of the Neostyle Company in the Cortelyou case of a conditional title. The statement is that it is *sold* and *purchased* upon the understanding that the seller shall use it only in a certain way; that is, practically, at the most, the purchaser covenants only that he will use it only in a certain way; and nobody would pretend, we suppose, that such an agreement would make a conditional sale with a right of reversion, either as to personal or real estate. Yet that is held good by the same judge, who holds that in the case of the book nothing short of an absolute condition in the sale and absolute reservation of the title will be available. Nor is it any more apparent how or why the Bobbs-Merrill Company, in fixing the price to be observed by retailers, in the sale of their book in their notice or license agreement is committing a fraud on the public, than that the owner of the Neostyle is committing a fraud on the public by making an absolute sale of its property and restricting the use thereof. But it is said the Bobbs-Merrill Company's notice is not a license agreement but a sale. It is just as much a license agreement, as it seems to us, as the Neostyle notice. In the Neostyle notice it is said the machine is "*sold*" and "*purchased*" with the understanding that the machine is to be used by the purchaser only in a certain way; in the Bobbs-Merrill notice it is said that

the purchaser "is not licensed to sell it at a less price than one dollar net, and that a sale at a less price will be treated as an infringement." It will be noticel that in all the cases of patents above cited the notice uses the word "sale" and "sold" just as in the case at bar. The italics in these various notices quoted are ours.

Is it not perfectly clear that the statement that it can not be sold at a less price than one dollar is a statement that it can be sold at that price? A negative prohibition at a lower price is an affirmative license to sell at that price. And wherein is the fraud? Wherein, we pray, is it a fraud for a publisher of a book, a work which may be one of the greatest in literature, to try to protect the copyright for the benefit of the author as well as itself, whereas, the inventor of a patented churn, of a pepper box or any other piece of machinery, can, by the use of practically the same language maintain the entire control, not only of the price but of the manner of use of his invention?

Moreover, it must not be forgotten that there has been no attempt by the Bobbs-Merrill Company to control the price of this book except in the hands of dealers; the language is "No dealer is licensed," and that language furnishes no warrant for the suggestion of the court to the effect that a man having bought the book at retail and wishing to dispose of it at second-hand would be precluded from doing so by our contentions.

On Record page 140 we find this language in the opinion (139 Federal):

"It well may be that the Bobbs-Merrill Company has licensed or will license certain dealers to sell this book, and when it grants a license it has the right to impose conditions on its licensees; but this notice does not state or suggest that every purchaser of one of these books containing this notice becomes a licensee, with a limited title,

or, in fact, no title to the book. A person can not be both licensee and absolute owner."

We beg to ask, is there anything in the Neostyle notice or license or the Cotton Tie case or any other case quoted that states or suggests that any purchaser of one of these machines bearing this notice or license agreement becomes a licensee with a limited title, or has in fact no title to the machine? There is, as already stated, no more ground for pretense that under the Neostyle sale the title was limited than under the Bobbs-Merrill Company sale, and as we conceive there is no necessity for limiting the title, provided a limitation is put on the use or price. In each case a limitation is imposed; in the one upon the price, in the other upon the use.

Suppose in the Neostyle case the language had been changed and the notice had read, "This machine is sold by the Neostyle Company and purchased by the user with the express understanding that it is not licensed to be used except with stencil paper and ink (both of which are patented), made by the Neostyle Company." Would that have ceased to be a license, then, to use it with the stencil paper and ink of the Neostyle Company? And yet the language would have been, in legal effect, the same as in the Bobbs-Merrill case; or suppose the language had been that "The purchaser of this machine is not licensed to use the same with any paper or ink except the paper and ink furnished by the Neostyle Company." There would have been no affirmative license. The license to use it with the Neostyle paper and ink would have been implied just as in the Bobbs-Merrill case to sell at the price of one dollar.

We submit that any sale of a copyright book by the owner of the copyright is a license to the purchaser to sell the book again if that sale is made without any limitation or restriction; but if any limitation or restriction is made,

then the license is only a restricted license and the licensee having notice is a limited licensee.

Again, his honor, on the same page, 140, takes occasion to deny that the notice in the book refers to the book and to assert that it refers in some vague and indefinite way to the work, "The Castaway." The language is: "The price of this book is one dollar net. And no dealer is licensed to sell it at a less price, etc." "Sell it"—what does *it* refer to? Plainly this book and nothing else. Just as well say that the notice on the Victor Talking Machine, or the Neostyle machine, or the notice in the Heaton-Peninsular, etc., case, or in any other case, does not refer to the particular machine.

It seems to us that this assertion by the trial judge is directly at variance with the language and with the expressed intentions of the notice and license.

Of course it is assumed, as it has been repeatedly decided, that there is the same right to control the price as to control the manner of use. It is therefore submitted, without further discussion of the matter, that, if there is any reason why the Bobbs-Merrill Company is not governed by the same principle as the Neostyle Company and parties in other cases cited, it is because one relates to the patent and the other to a copyright.

VII.

Principle in Patents and Copyrights the Same.

Is there, in the nature of things, any reason why the rules and principles applied to patents as to this matter shall not apply to copyrights? In *Scribner* v. *Strauss*, Judge Lacombe says the question is "arguable."

Restrictions and conditions as to price brought home to the purchaser by contract or notice are enforced in the

patent right cases upon the reasoning that the statute gives to a patentee the exclusive right to vend his discovery or invention, that the patentee is thus vested with an absolute monopoly as a property right, which he may retain or release wholly or in part at his pleasure. He may suppress the invention entirely or entirely release his monopoly by an unconditional sale of the patented article, or may vend the patented article upon arbitrary terms and conditions which restrict the right of the vendee to resell, the restrictions representing and determining the portion of the monopoly which he has reserved to himself. There is no plausible reason in principle why the owner of a copyright may not impose the same conditions and restrictions, and may not sell the copyrighted book upon terms which reserve to himself a portion of his monopoly. Or if there is such reason it has not been suggested by court or counsel.

The grant to congress of the power to create both the patent monopoly and the copyright monopoly is contained in a single clause of the constitution, namely, Art. I, Sec. 8, Ch. 8.

"The congress shall have power 'to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

The grant of power to congress is therefore the same in each case; and the monopoly created by congress in the copyright law, pursuant to this constitutional authority, is equally broad and absolute with that created in the patent law.

Section 4884, U. S. R. S., provides for a grant to the patentee, his heirs and assigns, for a specific time of,

"The exclusive right to make, use and *vend* the invention or discovery."

Section 4952, U. S. R. S., grants to the author or proprietor of a book, upon his compliance with the copyright laws:

"The sole liberty of printing, re-printing, publishing, completing, copying, executing, finishing and *vending* the same."

Section 4955, U. S. R. S., provides that copyrights shall be assignable.

The object of the constitutional grant and of the legislative enactment is the same in each case, namely, the protection and encouragement of the product of intellectual labor, or, in the language of the constitution, to secure to authors and inventors the exclusive right to their respective writings and discoveries.

The owner of a copyright, as well as the owner of a patent right, is thus given the exclusive right or liberty to vend. The important distinction between the two rights lies in the fact that the patent law grants a monopoly of use of the *invention*, that is a monopoly of the *idea* embodied in the patented article, while the copyright law does not in terms give a monopoly of the ideas expressed in the book.

Baker v. *Selden*, 101 U. S. 99.

But this difference in the laws creating the respective rights does not affect the present case. The complainant here seeks to establish its right to control the vending of the copyright book, and this right is expressly granted by the copyright law.

If, as seems to be well established, a patentee may sell a patented article, annexing to the sale a condition that it shall not be resold except at a specific price, there appears to be no reason why the owner of a copyright can not sell copies of his copyright book subject to similar conditions

and restrictions. It is in the latter case, as in the former, an exercise of the exclusive right to vend conferred by the statute, and in neither case does the law require the owner to sell by absolute and unconditional sale. If the reservation of control over the retail price is not unreasonable in the patent case, it is surely not unreasonable in the copyright case. It is equally true in the copyright case as in the patent case that the public must take the article upon the owner's terms, or leave it.

It has been suggested that the analogy between patents and copyrights is misleading. We have been unable to discover any cases drawing a distinction between copyrights and patents which have the least application to the present question.

That none of the cases cited by counsel and relied on by the court in the opinion have such application we have already, as we think, shown.

It is too obvious to require argument that none of those decisions indicates any difference between patents and copyrights which affects the question of monopoly. The substantial difference which they show is that the patent protects the idea embodied in the patented article, while the copyright does not protect the ideas expressed in the book, but the book itself. These cases do not, therefore, indicate that patent decisions upon the monopoly of vending are not perfect precedents for cases involving the monopoly of vending under the copyright law. So far as English decisions may be referred to, it is enough to say that the English copyright statute does not grant a monopoly of vending.

VIII.

Opinion of Circuit Court of Appeals.

So far our argument has been addressed to the opin-

ion of the trial court and the argument and authorities presented by counsel for the defendant. We now wish to consider the opinion of the circuit court of appeals; and here we beg to suggest that the latter court has, as we think, fallen into a fundamental error in failing to give any significance to the word "vending" in the copyright statute, section 4952 R. S., as amended by the act of 1891. (Transcript, p. 135.) The whole discussion of that opinion, so far as it refers to statutory copyright, treats the subject as if the only question were one of publication or multiplying copies, as it is under the English statute. The fact is apparently overlooked, or at least ignored, that our statute goes beyond the English statute in this regard, by giving the exclusive right to vend as well as to publish and multiply. In short, our statute, as to this question, touching copyright is exactly the same as our statute with reference to patent rights. The power granted to congress to legislate touching this subject-matter is found in the same clause of the constitution, and it was evidently the intention of congress to put the holder of a copyright upon as favorable ground as the holder of a patent right. Hence, we have, as we have already seen, not only the exclusive right, as under the English statute, to print and multiply copies and publish, but the exclusive right to vend.

In the American and English Encyclopedia of Law, second edition, Volume VII, at page 512, we find the following:

"In the United States statute copyright in a book as secured by the statute is defined to be 'the sole liberty of printing, re-printing, publishing * * * and vending the same.'"

U. S. Rev. Stat., Sec. 4952.

At the same place it is said:

"*By English Statute*—the second section of 5 and 6 Victoria, Chap. 45, defined 'copyright' to mean 'the sole right and exclusive liberty of printing or otherwise multiplying copies of any subject to which the said word is herein applied.' "

And again at the same place:

"Copyright, which is the exclusive privilege of multiplying copies after publication is the creature of statute. Lord Watson in *Caird* v. *Sime,* Law Rep., 12 App. 326."

In other words, as already stated, the English copyright does not include the exclusive right of vending. The American copyright does include the exclusive right of vending.

Moreover, there is absolutely no copyright in this country except by statute. This is expressly so declared by this court in *Banks* v. *Manchester,* 128 U. S. 244, and in *Holmes* v. *Hurst,* 174 U. S. 82. Hence, it seems to us, that much of the discussion in the opinion of the circuit court of appeals in this case is quite apart from the question for decision. That question was and is: has the word "vending" in our statute any meaning; and if so, what is that meaning; and, if it has a meaning, what reason is there in the nature of the subject-matter for giving to it a construction more narrow and limited than that which is given to the same word in the patent-right statute?

Section 4884 R. S. provides that:

"Every patent shall contain * * * a grant to the patentee, his heirs or assigns for the term of seventeen years of the exclusive right to make, use and vend the invention."

If under this grant the patentee may fix terms in vending, why may not the owner of the copyright do the

same? It seems to us that the right of the latter is more clear. The patent covers only the idea which may be embodied in some tangible form. The copyright embodies the actual form itself. The patentee has no interest in the patented machine except in the idea embodied therein. The owner of the copyright or his licensee has primarily the actual ownership of the book, map, chart or thing itself. Now if the owner of the idea embodied in tangible property not owned by him may control the terms of sale thereof, is it not much more clear that the actual owner of the thing itself is logically entitled to do the same thing, provided, of course, he has not released that right by an unrestricted sale or license?

On page 168 1-2 of the transcript begins the opinion of the circuit court of appeals, and that opinion, we beg to say, with the greatest respect both for the court and for the author of the opinion, entirely ignores the word "vending" in our copyright statutes. Not only so; it ignores so much of the very decisions it cites as shows and recognizes the strict analogy between a patent right and a copyright. Thus its very first citation is *Ager* v. *Murray*, 105 U. S. 126, which is adduced to the proposition that "a copyright is an incorporeal right to print and publish."

An examination of that case will show that the question for decision was whether a *patent* right might be subjected by bill in equity to the payment of a judgment debt of the patentee. The case itself had nothing to do with a copyright, and all that is said in the case in reference to copyright is in the way of putting copyrights and patent rights upon the same basis. So in *Stevens* v. *Gladding*, 17 How. 447, a copyright case, Mr. Justice Curtis puts patent and copyrights in the same category.

The opinion in *Ager* v. *Murray* was by Mr. Justice

Gray, and, from beginning to end the discussion is of copyrights and patent rights as being property of precisely the same character. Moreover, Mr. Justice Gray does in that opinion recognize that the word "vending" means something, and that copyright is not, as is said in the quotation from the opinion of the circuit court of appeals, just given, an incorporeal right to print and publish merely. On the contrary, at the bottom of page 127, it is said by Mr. Justice Gray: "A patent or a copyright which vests the sole and exclusive right of making, using, and vending the invention, or of publishing and selling the book, in the person to whom it has been granted by the government, as against all persons not deriving title through him, is property capable of being assigned by him at his pleasure, etc."

Again, near the top of page 129, quoting from the Bankrupt Act of 1867, it is shown that among the things that vest in the assignee are, "all rights in equity, choses in action, patent rights and copyrights."

So near the bottom of the same page the case of *Stephens* v. *Cady*, 14 How. 528, and *Stevens* v. *Gladding*, 17 How. 447, both copyright cases, are quoted as furnishing an analogy to be applied to patent rights.

On page 130 it is said: "That these incorporeal rights (patent and copyrights) do not exist in any particular state or district."

In short, throughout the entire case the assumption and declaration is that these two rights are of precisely the same character, so that the quotation made by the learned circuit judge from *Ager* v. *Murray*, apparently with the purpose to show that there was some difference between a copyright and a patent right has no such effect. The opinion *In re Brosnahan, Jr.*, 18 Fed. 62, quoted in the principal case, shows that the late Justice Miller classed patents and copyrights as strictly analogous.

Again, it is said in the opinion immediately following the above quotation "it is property in notion without corporeal, tangible substance." So is a patent right.

Again it is said, "this property is a different and independent right detached from the corporeal property out of which it arises." So is a patent right; it is even more distinctly so than a copyright, because the patent right, as is said by Mr. Justice Bradley in *Baker* v. *Selden*, *supra*, covers the *idea* embodied in the invention, which a copyright does not.

Again, it is said in the same paragraph of the opinion of the circuit court of appeals, "each of these (referring apparently to the copyright and to corporeal property in which it inheres), is capable of existing and being owned and transferred independent of the other." So are a patent right and the property in which it may be embodied.

So every word in the next paragraph of the opinion is equally apt when applied to a patent right as when applied to a copyright.

We confess that we do not understand what is meant, when it is said over and over again, that the "argument of complainant rests upon an assumed identity of the common-law rights and statutory copyrights, but in this we think it is in error." As we have already stated, there is no such thing in this country as common-law copyright. We contend for nothing but what the statute gives, and we insist that the statute gives an exclusive right of "vending" to the owner of a copyright just as clearly as it gives the exclusive right of "vending" to the owner of a patent right.

If we may be permitted to criticise the opinion of the learned judge, we think that its fundamental error is in that it fails and refuses utterly to recognize the word "vending" in the statute as of any significance at all.

Mr. Justice Gray recognizes that word clearly in the Ager case, but, throughout the opinion of the circuit court of appeals, there is not a syllable indicating that that word "vending" is in the copyright statute at all.

The authorities that are cited are construed to apply to the question of publication, multiplying, etc., and not to the question of "vending." This is true, we believe, of every citation made. Not one of the cases cited is construed in reference to the question which arises out of the statutory grant of the exclusive right of "vending." It is submitted that that word "vending" was put in the statute for some purpose; that it means something; and we submit further that it has a meaning just as broad and just as flexible as the word "vending" in the patent statute. If the word means anything, if the exclusive right to "vend," as applied to a patent, gives to the patentee the right to fix the price, terms and conditions of "vending," then why does not the same word used in the copyright statute have the same effect? We respectfully submit that this is a question which neither the trial judge nor the circuit court of appeals has answered; and we submit that it is a question that the facts of the case demand shall be answered. If there is any reason why the owner of a patent may fix the price and fix the terms of sale, and the owner of a copyright may not, that reason must be bottomed in some principle, but no such reason or principle has been suggested either by court or counsel in this case, or so far as we know, in any other case.

It is said in the opinion of the circuit court of appeals on page 171, "the peculiar right conferred by statutory copyright is to multiply copies after publication to the exclusion of others."

Palmer v. *DeWitt*, 47 N. Y. 532-536.

It is respectfully submitted that this proposition is in-

correct as applied to the statutory copyright of the United States. As this quotation is made it implies that this is the only peculiar right, whereas, the exclusive right of "vending" is also given by the statute. As we have already shown there is a decisive difference between our statute and the statute of Great Britain; the latter does not give the exclusive right of "vending" and our statute does give such right, and the decision of the circuit court of appeals in this case fails to recognize that difference.

By what sort of reasoning the circuit court of appeals reaches the conclusion that it has a right to ignore the word "vending" in the statute is to us inexplicable, and yet, near the bottom of page 171, it is said in the opinion, "there are many decisions and dicta which assert and support the view that the peculiar statutory protection granted to the author or proprietor is the right of multiplication of copies."

The statute says "the sole liberty of printing, reprinting, publishing and vending the same" (Section 4952). And as we have seen this court in the Ager case, speaking through Mr. Justice Gray, distinctly recognizes that this word means something, and yet in this opinion of the circuit court of appeals from beginning to end, as we have already seen, can not be found one syllable that recognizes that that word is of any significance whatsoever in the premises, but over and over again we have quotations referring to English decisions under a statute which does not use the word "vending," and of dicta of courts in this country ignoring the same.

The supreme court of Massachusetts in *Garst v. Hall & Lyon Company*, 179 Mass. 588, is quoted to the proposition: "When the owner of a copyright and of a particular copy of a book to which it pertains, has parted with all his title to the book, and has conferred an absolute title to it upon a purchaser, he can not restrict the right of

alienation which is one of the incidents of ownership in personal property."

It is not doubted by us that if the owner of the copyright has parted with all his interest by an unrestricted sale the effect is as above stated. But our contention is that there is the same right to restrict the sale under the copyright law as under the patent law. The above quotation from the Massachusetts case would be equally apt and equally true as applied to an article made under a patent right, simply substituting the word "patent" for copyright as follows:

"When the owner of a patent right and of a particular article of property to which it pertains, has parted with all his title to that article of property, and has conferred an absolute title to it upon a purchaser, he can not restrict the right of alienation which is one of the incidents of ownership in personal property."

Is that quotation any less good law as applied to the patent and patented article than as applied to the copyright and copyrighted book? The question is whether it is competent to make such a restricted sale with reference to an article of personal property. That it is competent to make such restricted sale with reference to patented articles has been adjudged by many courts, and by none more frequently and emphatically than by the circuit court of appeals of the second circuit; and yet we are told here that such a restricted sale can not be made as to books, but can be made as to button-fasteners, or any other trifling article manufactured under a patent, and no reason is given for the distinction.

As to the cases of the *Henry Bill Publishing Company* v. *Smythe*, 27 Fed. 914; *Harrison* v. *Maynard-Merrill Company*, 61 Fed. 689, we do not care to add much to the discussion of them while considering the opinion of the trial court.

However, in view of the quotation from the last cited case on page 172 of the transcript, we will say that in that case (*Harrison* v. *Maynard-Merrill Co.*), "the owner of the copyright had not transferred the title under an agreement restricting their use in that case," but had transferred the title *absolutely without any restriction whatever*, and the attempt to impose a restriction was by the vendee of the property, but not the vendee of the copyright, and not by the owner of the copyright at all.

In other words, the Maynard-Merrill Company owned the copyright, and the bound and unbound copies of the book. There having been a fire they, supposing that these copies had been practically destroyed, sold the same to Fitzgerald by an unqualified sale; they did not attempt to sell or assign to him the copyright. He, finding the property in better condition than was supposed, attempted to assert the copyright in himself and impose a condition upon the use of the property which Maynard-Merrill Company tried to enforce. Of course he could not do so, and it was so decided in the case, and that was all that was decided.

If the Maynard-Merrill Company, in their sale to Fitzgerald, had imposed this restriction a very different question would have been presented.

At the bottom of page 172 of the transcript we find in the opinion of the circuit court of appeals the following: "Counsel for complainant contends that section 4964 of the statutes, providing for a penalty for infringement of copyright, has no bearing on this question because there may be infringements of the copyright law by a sale of a book lawfully printed or lawfully imported. While there are some *obiter dicta* which would seem to support this contention, we can find no decision to that effect. On the contrary the decisions already quoted indicate that the protection against multiplication of copies and

the incidents thereof constitute the only protection afforded by the statute. Section 4952 of the statutes, giving the owner of the copyright the right to copy and vend the copyrighted article, contains no suggestion of any right of restricted sale or restricted publication."

Touching this quotation we beg to say:

First. Neither does the statute, section 4884 R. S., giving the exclusive right to make, use and vend the patented invention, contain any suggestion of any right of restricted sale. Yet the circuit court of appeals of the second circuit has held time and again that there is, as to a patented article, a right to make such restricted sale. And if so, we again ask why not a restricted sale of a copyrighted article?

It will be noticed that in the quotation last above made with reference to section 4964 the opinion states in so many words "that the protection against multiplication of copies and the incidents thereof constitute the only protection afforded by the statute," thereby expressly repudiating the language of the statute giving the exclusive right to vend.

Again, as to the earlier part of the same quotation where it is said that there can be no infringement of the copyright law by the sale of a book lawfully printed or lawfully imported.

One of the cases cited and relied upon in this opinion is the *Jewelers' Mercantile Agency, Ltd.*, v. *Jewelers' Weekly Publishing Company* 155 N. Y. 241 (49 N. E. 872). In the opinion in that case by Chief Justice Parker, on page 873, we find the following:

"A person who writes a book may keep the manuscript without printing it, and prevent any one from seeing it. He may take a still further step and cause the book to be printed, and then determine that it shall not be seen by the public and store all the printed copies away, and still

he has not made a publication of it within the meaning of the law. It continues to be his property, as he has not yet offered it to the public."

We ask, would such a printing be lawful, and would a person who surreptitiously obtained a copy of the book thus lawfully printed, and sold it, violate the copyright? If there can be no violation by the sale of a book lawfully printed, the answer must be in the negative.

If, on the other hand, such a sale would be a violation of the copyright, then the proposition that there can be no infringement of a copyright by a sale of a lawfully printed book is wholly indefensible. And, as we have already shown, it seems to us clear that this section, 4964 of the revised statutes, providing for a proceeding at law by forfeiture and recovery of damages in a civil action, was not intended to, and does not take the place of section 4952, defining a copyright, nor of section 4970 giving a remedy in equity by injunction to prevent infringements. What the statute, section 4952, gives to the owner of a copyright is the exclusive right, "the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing and vending," and that this exclusive right, this "sole right" is given just as clearly and effectively to the owner of a copyright as to the owner of a patent right is shown in the quotation from the opinion of Mr. Justice Miller *In re Brosnahan, Jr.*, 18 Fed. 62; and in that opinion that great judge, as was done by Mr. Justice Gray in the Ager case, uses the analogy of the copyright to illustrate his argument touching the patent right. Thus he says on page 65: "For illustration, an author who had written or printed a book always had the right to do so, and to make and sell as many copies as he pleased; and he can do this though he takes out no copyright for his work. But if he wishes to have the benefit of the exclusive right to do this he

can get it by securing a copyright under the act of congress. All that he obtains, then, by this copyright, all that he asks for or needs, and all it is designed to confer on him, is to make the right which he had already in common with everybody else, an exclusive right in him—a monopoly in which no one can share without his permission."

The subject-matter of the case under discussion by Mr. Justice Miller was a patent, not a copyright, but so strict was the analogy that one illustrated the other.

So far as the decision of the case of *Keeler* v. *Standard Folding Bed Company*, 157 U. S. 659, goes, if it is an authority against our contention as to copyrights, it is equally an authority against the decisions of the circuit court of appeals of the second circuit, as well as of all the other circuit courts of appeals with reference to the right to limit by restriction the sales of patented articles, and that is a question that we have not so far felt called upon to discuss. All of the argument has been upon the assumption that the very numerous decisions of the circuit courts and circuit courts of appeals, such as the Heaton-Peninsular case, the Victor Talking Machine case, and others along the same line, as well as the Cotton Tie case in this court upholding this restriction, with reference to sales of patented articles, express the law; and we have been especially confident that such must be the case for the reason that this court, in *Bement* v. *National Harrow Company*, 186 U. S., page 70, has given its sanction to the broad doctrines laid down in the Heaton-Peninsular case, 77 Fed., page 288.

Again, in *John D. Parks & Sons Company* v. *Hartman*, 153 Fed. Rep., page 24, in a very carefully considered opinion by Judge Lurton for the circuit court of appeals for the sixth circuit, the doctrines for which we contend are restated, and in that opinion, on page 36, in dis-

cussing the Bement case, he quotes from Chief Justice Parker's opinion in *Straus* v. *American Publishers' Assn.*, 177 N. Y. 473, 477 (69 N. E. 1107), as follows:

"That reasoning is employed as to patent rights. It is equally applicable to copyrights, the protection of which was perhaps the leading object of the association and agreement attacked in this action. And it points to the principle underlying the decision in the Park & Sons Co. case, 175 N. Y. 1, 67 N. E. 136, 62 L. R. A. 632, 96 Am. St. Rep. 578, upon which defendants apparently rest their claim that the judgment of the appellate division should be reversed. But there is a feature in this case not to be found in that one, and which requires a different judgment than the one rendered therein, which will now be pointed out."

Thereupon, the learned chief justice points out that distinguishing feature, and shows that while the contract in question in that case was all right in so far as it applied to copyrighted books, it was illegal as to books non-copyrighted.

Again the learned circuit judge, in the opinion in the principal case, attempts to distinguish a copyright case from a patent case as follows:

"The protection afforded by the patent law is broader in the case of patents than in that of copyright. By a grant of copyright the owner of the work acquires the exclusive right of multiplication of copies; by the grant of a patent the patentee acquires the exclusive right to make and use the thing patented. The patent law protects the production and use of the creative conception reduced to practical shape in various forms; the copyright law protects the publication of copies in the form or substance of the particular creative conception in which it has been expressed by the author."

The right secured by the copyright act is "the right

to that arrangement of words which the author has selected to express his ideas.

Holmes v. *Hurst*, 174 U. S. 82.

"The statutory right to make a patented article and to prevent others from making it is entirely distinct from the further statutory right to use, and therefore to control the use of the thing made.

"Furthermore, the statute permits the patentee to subdivide his rights, and the common law protects him against any infringement of any part thereof. The copyright statute provides only for the assignment of the right as a whole, and, in terms, protects against infringement by unlawful publication."

We wish to make two or three observations with reference to this quotation:

1. That here as throughout the opinion it is noticeable that the sole right of "vending" receives no notice. The statement is that the copyright statute protects the publication only.

2. It is declared that "the copyright statute provides only for the assignment of the right as a whole, and, in terms, protects against infringement by unlawful publication."

It is submitted that the author of this opinion has not always entertained this view. In *Black* v. *Henry G. Allen Co.*, 42 Fed. Rep. 618, an injunction was sought against what was alleged to be a piratical publication of the 23d volume, 9th edition of the Encyclopedia Britannica, made up of independent articles, upon the ground that three articles therein were copyrighted in the United States. One of these three articles, entitled "Political Geography and Statistics," was written by Francis A. Walker, who had secured a copyright thereof, and the usual notice of copyright was upon the title page of the book. The bill

alleged that Walker had assigned and transferred to complainant an interest in said copyright; that is, had transferred the right to publish and use the same in the Encyclopedia Britannica, but had retained the right in himself to use the same everywhere else. The defendant was reprinting this volume. Two other cases, one between the same parties, and one between Scribner and the same defendants, present similar questions. The bill asked an injunction against printing and selling the publications containing these various articles and maps copyrighted and forming a part of the books.

The case was heard by Judge Shipman, and on page 621 he says: "It is, however, contended that, while a copyright may be assigned as a whole by a written instrument, it can not be subdivided, but is an entire thing, indivisible, and incapable of apportionment. The statute simply provides that the copyrights are assignable at law by an instrument in writing, and, obviously, the whole or an undivided part thereof may be assigned so that the copyright may become 'the undivided property of joint owners.' Drone, Copyright 334. To what greater extent copyright may be subdivided at law the statute does not declare, and in this case it is not necessary to inquire. Under section 4964, a license in writing, by instrument duly witnessed, may be given by the proprietor to any other person to the extent described in such license; and there is no restriction upon the power of the proprietor to assign or transfer, in equity, an exclusive right to use the copyrighted book in a particular manner, or for particular purposes, upon such terms and conditions as may be agreed upon. In such case the legal title remains in the proprietor; and a beneficial interest, to the extent which is agreed upon, vests in the other party, who has acquired an equitable right in the copyright, and who will be properly styled an 'assignee of an

equitable interest.' Curtis Copyright 225. In these two cases, as the Messrs. Black and the proprietors of the title are all made parties, and properly so, whether the Blacks are licensees, or are owners of an equitable interest in the copyrights (*Goodyear* v. *Railroad Co.*, 1 Fish. Patent cases 626; *Goodyear* v. *Allen*, 3 Fish. Patent cases 374), I do not conceive it necessary to determine at this time by what name the publisher's interest in the copyright may be the more properly called."

This decision was made in 1890; subsequently in 1893 the same cases came again before the court and the opinion was pronounced by the circuit judge, who wrote the opinion in the principal case, then district judge.

Black v. *Henry G. Allen Co.*, 56 Fed. 764;
Black v. *Funk et al.*, 56 Fed. 764.

In the opinion, on page 771 (*Black* v. *Funk, et al.*, 56 Fed. Rep.) his honor says: "The questions raised by these allegations are interesting and important, but I think they are fairly answered by the rulings of Judge Shipman in his opinion before referred to, with all of which rulings I fully concur, and which must govern in this case.

Black v. *Allen*, 42 Fed. 618.

"In that opinion Judge Shipman holds that the legal title to a copyright may remain in the proprietor, while the beneficial interest, *to the extent which is agreed upon*, may be in another party." (Our italics.)

In other words, both Judge Shipman and Judge Townsend in these cases hold that, under the general power of assignment, a part may be assigned, or the whole; that an equitable interest may be assigned and the legal interest retained; that terms may be made in making such assignments; and this must necessarily be so under the power to assign and to vend, since, always and every-

where, it is held that the right to assign or to sell implies the right to fix the terms of such assignment or sale.

Precisely the same view as to the power to assign and the divisibility and effect of such assignment is taken by Mr. Justice Clifford in *Parton* v. *Prang*, 3d Clifford 537, in which case, on page 550, speaking of the transfer of the manuscript or picture, it is said: "Such a transfer of the manuscript or picture is not a publication of the same unless it was so intended by the parties, but if the sale was an absolute and unconditional one, and the article was absolutely and unconditionally delivered to the purchaser, the whole property in the manuscript or picture passes to the purchaser, including the right of publication, unless the same is protected by copyright, in which case the rule is different." (Citing a number of cases.)

On the same page it is said: "Sales may be absolute or conditional, and they may be with or without qualifications, limitations, and restrictions, and the rules of law applicable in such cases to other personal property must be applied in determining the real character of a sale of literary property. Proper attention to these considerations will furnish the true explanation of many, if not all the cases referred to by the complainant, which are supposed to support the second proposition for which he contends."

So Mr. Justice Clifford, in *Greene* v. *Bishop*, 1st Clifford 186, says: "Vendors are liable for the sale of a book which invades the copyright of another, on the same principle, and for the same reasons, that the vendor of a machine or other mechanical structure, in the case of patent rights, is held liable for selling the manufactured article without the license or consent of the patentee."

This subject of power of the owner of a copyright to sell the whole or a part thereof, and to prescribe terms and conditions, was before the supreme court of Mis-

souri in 1897, and the cases above cited were quoted from and the decision made accordingly.

Davis v. *Vories*, 42 S. W. Rep. 707 (141 Mo.).

It seems to us, in view of the general rule, that the right to assign or to sell ordinarily includes the right to sell absolutely, in whole or in part, with or without restrictions, and especially in view of the above decisions, the limitation attempted to be made in the opinion in the principal case as to this matter can not be upheld.

We do not care to discuss so much of the opinion of the circuit court of appeals as touches upon what might or might not be our rights under a contract. Indeed, as we understand the matter, that question is not before this court; since our right to an appeal to this court, as we understand, depends upon our having a question under the copyright law; but we think it clear that in view of what is said in *Murphy* v. *Christian Press Association Publishing Co.*, quoted in the opinion in the principal case (38 App. Div. 426, 56 N. Y. Supp. 597), whatever rights complainant had were and are protected by the notice which is clearly brought home to the defendants. The statement of facts shows that the defendant had full notice of complainant's rights, and the decisions of the New York Court of Appeals cited in the opinion clearly show that these notices subjected the defendant to whatever rights the complainant had under the copyright law.

Victor Talking Machine v. *The Fair*, 123 Fed. Rep. 424, is directly in point upon this question.

Indeed, it is elementary, as shown in the Victor Talking Machine case, that the right of a vendee with notice can never rise higher than its source, which is the right of the vendor.

We do not care to add anything to the discussion as to the particular form of the notice in "The Castaway." It

seems to us that we have shown that it is in every way as proper and effective in form as those that have been held good in patent cases. If it is necessary that the restrictive notice shall be such as would create a strictly conditional estate at common law, then most of the notices which have been held sufficient in patent cases, as we have shown in the earlier part of this discussion, would be wholly insufficient.

Indeed, we do not believe there is a single one of them which contains a good technical common-law condition subsequent, upon which a forfeiture and reversion of the property could be enforced at common law.

IX.

In conclusion, we beg to submit that the notice published on the copyright page in "The Castaway" is a license and a notice as good in every way as those in the patent cases cited. The evidence shows defendants bought the book with a full knowledge of the limitation in this license; that they bought for resale at a profit; that the price "one dollar net" was made for dealers only, and for the purpose of maintaining a fixed rate, which was perfectly lawful; that such act was the individual act of complainant with which no other parties had to do; that the law grants to complainant a complete and entire monopoly, and that complainant has parted with only a portion thereof; that even as to ordinary property the owner may impose conditions and restrictions upon the use and upon the price, and as to parties with notice such limitations and restrictions are good; that much more clearly is this so as to patents and copyright property where the express purpose is to give monopoly; that it is not essential that the sale shall be a conditional sale, such as would give a right of

reversion; that the owner of the copyright, having the entire property and use, may grant a part and reserve the remainder, and that this has been done in this case; that the motive of congress in enacting the patent and copyright statutes was the same; that the reason for giving a broad construction in the copyright cases is quite as persuasive as that in the patent cases; that the author of "Ben Hur" was as worthy of protection as the inventor of a talking machine; that the effect upon the sale of the book, by cutting the [illegible] is as disastrous in cases of copyrights as of patent rights, and this is clearly shown by the evidence of Mr. Putnam, to which we have already referred.

We ask that the decree of the circuit court and circuit court of appeals be reversed.

W. H. H. MILLER,
C. C. SHIRLEY,
SAMUEL D. MILLER,
Solicitors and Counsel for Appellant.

Indianapolis, December 2, 1907.

FILED.
JAN 18 1908
JAMES H. McKENNEY
CLERK

UNITED STATES SUPREME COURT.

THE BOBBS-MERRILL COMPANY,
Appellant,

vs.

ISIDOR STRAUS AND NATHAN STRAUS, Co-partners doing business under the firm name of R. H. MACY & CO.,
Appellees.

No. 176

OCTOBER TERM 1907.

Appeal from Decree of the Circuit Court of Appeals of the Second Circuit.

BRIEF FOR APPELLEES.

J. G. CARLISLE,
EDMUND E. WISE,
Of Counsel.

B. H. TYRREL, PRINTER, 206-208 FULTON STREET, NEW YORK.

Supreme Court of the United States,

BOBBS-MERRILL COMPANY,
Appellant,

against

ISIDOR STRAUS and NATHAN STRAUS, *co-partners*, doing business under the firm name of R. H. MACY & Co.,
Appellees.

Number 176.

October Term, 1907.

APPEAL FROM DECREE OF THE CIRCUIT COURT OF APPEALS OF THE SECOND CIRCUIT.

Brief for Appellees.

This is an appeal from a decree of the Circuit Court of Appeals of the Second Circuit affirming the decree of the Circuit Judge dismissing the complaint of the complainant after a hearing upon the merits.

Statement of Facts.

The facts in the case are undisputed and, with the exception of some testimony on the part of

the plaintiffs as to the value of copyrights in general and of "The Castaway" in particular, no evidence was taken, but the parties entered into a stipulation of facts in lieu of all testimony.

The stipulation on the part of the plaintiff is found at pages 8 and 9 of the record. The first five paragraphs thereof are admissions of formal matters, to wit: that the complainant is a corporation duly organized and existing under the Laws of the State of Indiana and engaged in the business of publishing and selling books; that it was the owner and proprietor of a novel in one volume entitled "The Castaway," written by Hallie Erminie Rives, and that such book had been copyrighted, and all the provisions of the Federal Statutes concerning copyrights had been complied with. It is further admitted that each copy of "The Castaway" contained at the time of its publication a notice printed on the page immediately following its title page, to this effect:

> "The price of this book at retail is $1.00 net.
> "No dealer is licensed to sell it at a less price
> "and a sale at a less price will be treated as
> "an infringement of the copyright.
> "THE BOBBS-MERRILL COMPANY."

A fac-simile of this notice is annexed to the deposition of John J. Curtis, as complainant's Exhibit No. 1 (page 54). It was admitted that the defendants, before the commencement of this action purchased copies of this book for sale at retail; 90% of such copies obtained by them being purchased at wholesale, at a rebate from the retail price of about 40%, and 10 per cent. were purchased at retail, and the full retail price was paid therefor. The defendants, when they

made such purchases, knew that the book was a copyrighted book, and knew of the notice which was printed in the book as above quoted. It is furthermore admitted that the wholesalers from whom the defendants bought these books, were familiar with the notice referred to, and that such knowledge was in all the wholesale dealers through whom the books passed from complainants to defendants, but it was admitted that none of such wholesale dealers were required by complainant to enforce a compliance with the terms of such notice by retail dealers, or to restrict their sales to such retail dealers only as would agree to observe its terms.

The defendants sold copies of the book so purchased by them, at the uniform retail price of 89c a copy, and thereupon the complainant brought this action to restrain them from selling at any price other than the one fixed in the notice. The prayer for relief is for an accounting and for a judgment restraining defendants from selling the book at retail for less than one dollar.

The defendants, in their answer (pages 55-61) deny any infringement of complainant's copyright and set up as additional affirmative defenses: 1st, that complainant's remedy, if any, is at law and not in equity (page 56), and secondly, that complainant is a member of an illegal combination of a large majority of the book-sellers and book-publishers throughout the various states and territories of the United States, whose object is to establish and maintain the retail price of copyrighted books, and to restrain the sale, supply and price of such books, and to monopolize trade or commerce in books among the several states and territories of the United States.

The facts were all stipulated and are set forth in the record (pages 61-89). That stipulation of facts is practically incorporated in the opinion of Judge Ray (pages 93 *et seq.*).

The substance of that stipulation is that during the year 1900 a large number of publishers entered into an agreement for the purpose of maintaining a net retail price of copyrighted books published by any of them, and to prevent the sale at retail of any such copyrighted books by any dealer at retail at less than the fixed retail price. Pursuant to that agreement a membership corporation was formed under the laws of the State of New York under the name of The American Publishers' Association, which included amongst its members the complainant herein and a large majority of the publishers of all books copyrighted or uncopyrighted in the State of New York as well as throughout the United States. Shortly thereafter and about February 13th, 1901, The American Publisher's Association adopted a resolution, and its members entered into an agreement, whereby a system of maintaining a net retail price and preventing the cutting thereof was established (Exhibit A, page 62). Pursuant to this resolution it was provided that the net price of copyrighted books should be uniformly maintained by all retail dealers and that the publishers, members of the American Publishers' Association, agreed to sell *all* their books, whether copyrighted or not, only to those book sellers who would maintain the net retail price on copyrighted books for one year, and to such jobbers only who would sell their books to no one known to them to cut such net prices, or whose names had been given to them as one who cut such prices, or who failed to abide

by the reasonable rules and regulations of the Association. Provision was made for the organization of booksellers associations throughout the United States, and in fact, thereafter, a voluntary association, called the American Book Sellers Association, was formed which was intended to, and did include ninety per cent, both in number and extent of business, of all wholesale and retail book dealers throughout the United States. The avowed purpose of this Association was to co-operate with and assist the American Publishers' Association and its members, in the maintenance of the so-called net price system for the sale of copyrighted books, and to supply the publishers with the names of booksellers who cut prices, and to refrain from selling to such price cutters *any* books at *any* price, whether copyrighted or uncopyrighted. They further agreed not to buy or keep in stock the books of any publisher who declined to support the net price system.

In June, 1901, The American Book Sellers Association adopted a resolution and agreement with its various members which is known as Reform Resolution Number 1 (page 64). The resolutions and agreements of the two associations were thereafter put into force, and none of the members thereof, including the complainant, would supply, or sell, or sanction the sale or supply, of *any* books at *any price* to any dealer in the State of New York, or elsewhere in the United States, whether a member of either of said Associations or not, whether said books were copyrighted or not, or whether published by any of the members of the American Publishers' Association or not, who did not maintain the arbitrary net retail price on copyrighted books published by the mem-

bers of the Association or who would resell or was suspected of reselling such copyrighted book to any dealers who thereafter sold the same at less than the arbitrary price named by the publisher and maintained pursuant to the rules and agreement of the two associations and their members.

At various times thereafter changes were made in the American Publishers' Association's resolutions or agreements which are set forth as Exhibits C and G (pages 67-77). These changes for the most part extended the field of operation of the regulations of the publishers, but have no particular bearing upon the points in issue in this case.

In February, 1904, the Court of Appeals of the State of New York decided that the combination and agreements of the two Associations and their respective members were unlawful and contrary to the public policy of the State of New York, because, in contravention of the statute in such case made and provided, it was sought thereby to interfere with the free pursuit of a lawful business in which any member of the community had a right to engage; a business in which a monopoly was not secured by any federal statute, namely, that of dealing in books which are not protected by copyrights. Chief Judge Parker wrote the opinion, and in the course thereof he implied that though that combination was illegal in so far as uncopyrighted books were concerned, it would not have been illegal if it had been limited to copyrighted books only. The opinion of Judge Parker is set forth in full in the Stipulation of Facts at pages 78-82, and also incorporated in the decision of Judge Ray at pages 113-119.

Shortly thereafter and in consequence thereof, the two associations amended their rules and reg-

ulations (Exhibit H, page 83, Exhibit I, page 85) and entered into new agreements by which they professed to limit their operations of their rules to copyrighted books only.

To all of these agreements and resolutions, the complainant was a party, and obeyed and lived up to them, and published all its books, including "The Castaway," in accordance with the regulations of the Publishers' Association (Paragraph 12, page 88).

The subpoena in this case was issued on the 14th day of July, 1904, a few months after the decision of the Court of Appeals of New York was filed.

The action came on for a final hearing before Mr. Justice Ray on January 17th, 1905. He filed his opinion on July 11th, 1905, and a decree dismissing the complaint was entered on August 12th, 1905. From that decree the complainant appealed to the Circuit Court of Appeals for the Second Circuit which affirmed the judgment of the Circuit Court on June 16th, 1906. Judge Townsend wrote the opinion in which all the judges concurred (page 168-1/2).

Argument.

The main question involved in this case is solely one of copyright and the interpretation of the copyright statute.

POINT I.

The complainant has wholly failed to show the impairemnt of any rights protected by the copyright statutes.

Briefly stated, the complainant's contention is, that the mere printing of a notice in a copyrighted book, prohibiting the sale thereof by a dealer at retail at less than the price mentioned in such notice, reserves to the owner of the copyright, by authority of the statute, power to compel obedience to such notice by any dealer whatsoever in whose hands the book may be, although the owner of the copyright has parted with the title and possession of that particular copy for such consideration as he considered adequate and proper, and, although each successive individual in the chain, has been vested with the absolute title to that particular book and all the incidents of absolute ownership, and has neither made, nor agreed to make, any restricted or conditional sale of such book, nevertheless if the third, fourth, or any other purchaser of the book, attempts to sell it at retail, at less than the fixed price, a court of equity will interfere, and, *by virtue of the copyright statutes*, prevent a person who concededly has no contractual relation with the owner of the copyright, and who concededly purchased the book free from any restrictive agreement, from exercising one of the most important rights conferred by ownership: the right to sell at such price, on such terms, and to such persons as he deems proper. The failure of the public to purchase at that price would leave the dealer no alternative but to keep the books on his shelves.

A bankrupt dealer could not sell at less than the fixed price although he might by a sacrifice substantially reduce his debts. If such a claim can be sustained at all, it must be supported by some express act of Congress, or it must result as a necessary incident to the rights granted by Congress. Otherwise it does not exist, and this action must fail.

The Appellant claims that the right of control of the retail price is granted by the provisions of the statute which gives the owner of the copyright the sole right of "vending," and he criticises the discussion by the Circuit Court of Appeals of the so-called common law copyright, as being apart from the questions involved.

Counsel seems to ignore the fact that the clause of the constitution which enables Congress to pass copyright legislation was adopted as expressly stated therein, for a special purpose for a certain class, and for a definite object, and that the legislation which followed must be interpreted in the light of that constitutional provision and of the intent with which it was passed.

Viewed from this standpoint it seems clear that it is germane to the issues of this action to examine the precise nature and character of property rights which were in existence prior to copyright legislation, to what extent new rights were created and old rights were abandoned, and for that purpose Judge Townsend's discussion of the fundamental distinction between "the common law right of literary property," commonly called "common law copyright," and copyright under the statutes is pertinent to the questions involved.

Before the art of printing had been discovered or rather perfected, copyrights were practically

unknown. The slow and laborious reproduction of an author's work partially protected him in the enjoyment of any profits to be derived therefrom, but when the art of printing made it possible to reproduce thousands of copies in a short time where formerly but one could have been published, anyone could without compensation to the author, multiply copies of an important or popular work and sell the same, thus securing to himself the benefits of another's work.

In England during the fifteenth and sixteenth centuries, the Crown, through the Star Chamber, granted monopolies for printing certain works, either for the purpose of conferring special privileges upon a favored individual, or for the further and more important purpose of controlling the character of the printed matter, and establishing a government censorship fatal to the growing liberty of the press.

It was not until the reign of Anne that Parliament "for the encouragement of learning by vesting the copies of printed books in authors, &c." intervened for the protection of authors. By the statute of Anne, authors, or their assigns, were granted the exclusive privilege of "printing, reprinting and publishing" copies of their work.

After that period an interesting contention arose in England as to whether the common law recognized the species of property created by the statute law, or whether that statute created a new species of property, and it was finally decided, 1774, in Donaldson *vs.* Beckett, 4 Burr, 2408, that whatever rights existed at common law were taken away and superseded by the statute.

All the details of that controversy and its result must have been familiar to many of the framers

of the constitution. A number of them were authors, many of them lawyers of great renown, and adopting Section 1, Article 8 of the Constitution, it is obvious that they intended to secure to authors some right of property which they did not possess at common law.

The members of the first Congress, who no doubt were equally familiar with the bitter discussion which had convulsed literary England concerning the rights of authors, pursuant to the provisions of the Constitution to secure to authors the exclusive right to their writings for a limited period, passed the first copyright act which is almost identical with the statute of Anne. It is entitled

> "An act for the encouragement of learning *by securing copies* of maps, charts and books to the authors and proprietors of such copies during the times herein mentioned."

By its first section authors are granted "the sole right and liberty of printing, reprinting, publishing and vending such maps, book or books for fourteen years," and that right has since been granted in substantially the same words by succeeding legislatures.

Congress did not enact, and had no power to enact legislation which conferred on authors any rights which they had previously possessed under the common law, nor to invest them with any greater powers than they had previously possessed either at law or in equity for the protection or control of their property, but Congress sought to, and did, create *a new kind of property*, a new species of possession which at the common law had no existence, and which but for such legislation could not have been enjoyed. A property

right was created in an "incorporeal notion," entirely detached from any physical existence. A right not recognized by the common law.

Wheaton *vs.* Peters, 8 Peters, 591.

That right, as its name imports, was the *right to copy* and nothing more, and this has been the universal interpretation of the monopoly.

> "Copyright may be defined as the sole and exclusive liberty of multiplying copies of an original work or composition." (Coppinger, Law of Copyrights, 3rd Ed., page 1.)

The English Statutes, on which our own are based, expressly limit the meaning of the protection granted to the right to *multiplying* copies and grant no more.

The Belgium codification of 1886 reads as follows:

> "Copyright Law—Article 1. The author of "a literary or artistic work has alone the "right of *reproducing* or of *authorizing* its "reproduction in any manner and in any "form whatsoever." (*Coppinger, page 655.*)

The copyright law of Holland, 1881, provides:

> "The right of publishing in print writings, "illustrations, maps, musical and dramatic "works and oral addresses, as well as the "right of performing or of presenting musi- "cal and dramatical works belongs exclusive- "ly to the author and his assigns." (*Coppinger, page 655.*)

In the German Empire the law of 1876, January 10, says:

> "The right of *reproducing* a work of liter-
> "ature by mechanical processes belongs ex-
> "clusively to the author of the same." (*Copp-
> inger, page 681.*)

Similar provisions giving the right of *multiplying* to the author are contained in the laws of almost every other country of Europe.

In each of them the avowed purpose has been, and is, to secure to authors the exclusive right to their works, and the practically universal method of securing to them such right is by granting to them the monopoly of *reproducing* or *multiplying* and the experience of the civilized world has proven that the right thus granted of multiplying is ample protection to the author. When the book thus protected from reproduction by any other person than the author or his assigns has been published, it becomes the subject of barter and trade like any other commodity and subject to the general laws of the land.

As was said in *Stephens* vs. *Cady*, 14 Howard, 528-530:

> "The copyright is an exclusive right to the *multiplication* of the copies, for the benefit of the author or his assigns, disconnected from the plate, or any other physical existence. It is an incorporeal right to print and publish the map, or, as said by Lord Mansfield in Millar *v.* Taylor, 4 Burr., 2396, 'A property in notion, and has no corporeal tangible substance.' "

In that case the sheriff seized a copper plate from which copyright maps had been printed. The seizure and sale of the plate itself was upheld, but the right to print maps therefrom was

denied. The Court emphasizes the distinction between the incorporeal rights secured by the copyright and ordinary rights attaching to tangible property in the following language:

> "The copper plate engraving, like any other tangible personal property, is the subject of seizure and sale, on execution, and the title passes to the purchaser, the same as if made at a private sale. But the incorporeal right, secured by the statute to the author, *to multiply copies of the map*, by the use of the plate, being intangible, and resting altogether in grant, is not the subject of seizure or sale by means of this process—certainly not at common law."

The same principle was declared in *Stephens* v. *Gladding,* 58 U. S., 447.

In the case of American Tobacco Co. *vs.* Emil Werchmeister, decided by this court December 2nd, 1907, Mr. Justice Day reiterates this view in considering the nature of the property in copyrights which it is the object of the Statutes of the United States to secure and protect. He says:

> "As we have seen the purpose of the copyright law, is not so much the protection of the possession and control of the visible thing as to secure a monopoly having a limited time of the right to publish a production which is a result of the inventor's thought."

At another point he says:

> "And a strong consideration in construing "this statute has reference to the character "of the property sought to be protected. It "is not the physical thing created but the "right of printing, publishing, copying, etc., "which is under statutory protection."

At common law an author had the so-called rights of literary property. If he wrote a book and printed it, he had the exclusive right to sell it, in any way that he deemed fit. But such publication and sale would have thrown open to the world the right to *re-copy* the book. If he did not sell or publish his own book, no one had the right to copy it. To a limited extent he could even disclose its contents, and still remain the sole and exclusive owner thereof, and of the right of multiplying it. These rights exist to-day independent of the copyright law.

See

Jewelers' Mercantile Agency v. *The Jewelers' Weekly Pub. Co., 155 N. Y., 241.*

Werckmeister v. *Am. Lithographic Co., 134 Fed. Rept., 321,* cited with approval in American Tobacco Co. *v.* Werckmeister (*supra*).

When the statute granting the copyright has been complied with, the author or his assigns has the exclusive right to print or reprint and publish, and none other which is not common to the possession of any other kind of property. The distinction between the common law rights of authors and those conferred by copyright are stated in *Palmer* vs. *DeWitt*, 47 N. Y., 532, at page 536, the Court of Appeals says:

> "The author of a literary work or composition has, by law, a right to the first publication of it. He has a right to determine whether it shall be published at all, and if published, when, where, by whom, and in what

> form. This exclusive right is confined to the first publication. When once published it is dedicated to the public, and the author has not, at common law, any exclusive right to multiply copies of it or to control the subsequent issue of copies by others. The right of an author or proprietor of a literary work to *multiply* copies of it to the exclusion of others is the creature of statute. *This is the right secured by the 'copyright laws' of the different governments.''*
>
> See *Werkmeister* vs. *American Lithographing Co., 134 Fed. Rep., page 321, at page 324.*

The only protection necessary to secure to authors the exclusive rights to their productions, is the grant of the exclusive right to *multiply* copies after publication, hence the term "copyright."

To secure that statutory right he abandons his common law right of restricted publication. He

> "cannot have at the same time the benefit of "the copyright statute and also retain (his) "common law right. No proposition is bet- "ter settled than that a statutory copyright "operates to divest a party of his common "law right."
>
> *Jewelers' Mercantile Agency* v. *Jewelers' Pub. Co., 155 N. Y., 241, 247.*
>
> *Drone on Copyright, 100.*
>
> *Holmes* v. *Hurst, 174 U. S., 182.*

The copyright law does not therefore grant to him the power of sale, as that was in him at all times nor did it intend to enlarge it, but it does grant to him the sole right to multiply, which,

after a sale, the common law did not reserve to him.

Wheaton v. *Peters, 8 Peters, 725.*

The reason for copyright legislation largely lies as before said in the invention of printing and no claim thereto was ever raised prior to the easy multiplication of books by reason of the invention of that art. Such is the reason of the law and such is its extent and throughout the history of copyright legislation no other or further meaning was ever given thereto. The *intangible right* which formerly did not exist is now protected. Tangible property, which is the result of the exercise of the right granted, has precisely the same attributes as any other species of tangible property, and all questions relating thereto should be treated as questions of contract, and not as of the inherent meaning and effect of the copyright law.

Keeler vs. *Standard Folding Bed Co., 157 U. S., 659.*

Now in the case at bar it is conceded that title was passed to the defendants. So far as shown by the allegation or evidence there was no contract, either by them, or by any intermediate wholesale dealer from whom they purchased the books, that the printed notice should be observed. In their hands an absolute legal title to the books vested, which was seizable on execution against them, and which they could, if they saw fit, give away without any consideration whatsoever. The complainants do not claim a forfeiture of the title to the books, nor any interest in those particular copies. The sole right

that is claimed is to control and maintain a uniform retail price throughout the life of the copyright, which right is avowedly exercised, not for the benefit of the author or his assigns, but for the benefit of other retail dealers, with whom the complainants are not in any contractual relation. Mr. Curtis states at page 50 that if the reduction of price would increase the sale, the value of that particular copyright would be increased thereby. Mr. Putnam, after considerable argument, concedes that the damages to the copyright cannot be well measured, but that as a general proposition cheapening the article increases the consumption (pages 36-37), and hence increases the value of the copyright. The result of the restricted price, therefore, is that, although the author and his assigns are perfectly satisfied to receive as compensation for the production 60 or 65 cents per copy. (Mr. Curtis, page 47; paragraph 6, Stipulation of Facts, pages 8 and 9), the retail dealer was to be protected to this extent: That he should on his investment of 65 cents, make a profit of not less than 35 cents, or not quite 54%, as such a profit was necessary to the retail dealer to prevent a demoralization in his trade. (Mr. Putnam, pages 23, 25.)

The benefit of the statute is claimed, therefore, not for the author or owner of the copyright, but for the retail dealer, which clearly is not within the spirit of the statute, and if it were within the letter, it would be unconstitutional. The right claimed by the complainants, is complicated by choosing the word "license" in the notice. That cannot be made a license which in law is not a license, by merely calling it so. There is a well-established difference between a sale and a license. A *sale* transfers the abso-

lute ownership and the legal title, with all its incidents. A license conveys no title at all; it merely gives a right to do something with the property of another, which theretofore the licensee did not have. In this particular case of books, a license to sell would mean, that the owner of the copyright, being at the same time the owner of the copies of the book, has authorized some individual to sell the same, *reserving to himself the title to the book and the power to dictate the terms of sale,* but the licensee would have no interest in the book sold, even though he might have an interest in the copyright itself.

This identity of ownership of the book and of the copyright is the controlling factor necessarily present in order to retain dealings concerning the book itself within the protection of the copyright law, and when that identity is destroyed, the book, independent of the right to reproduce, is entirely out of the sphere and scope of the copyright statute. This is the particular point emphasized by the Courts in the very few cases in which the question has been discussed.

In *Publishing Co.* vs. *Smythe, 27 Fed. Rep., p. 914,* Judge Hammond says:

> "The owner of the copyright *may not be able to transfer the entire property* in one of his copies, *and retain for himself an incidental power to authorize a sale of that copy,* or, rather the power of prohibition on the owner that he shall not sell it, holding that much, as a modicum of his former estate to be protected by the copyright statute; and yet he may be entirely able, *so long as he retains the ownership of a particular copy for himself,* to find abundant protection under the copyright statute for his then incidental power of controlling its sale. The copyright

> incident of control over the sale, if I may call it so, as contradistinguished from the power of sale incident to ownership in all property—copyrighted articles, like any other—is a thing that *belongs alone to the owner of the copyright itself, and as to him only so long as and to the extent that he owns the particular copies involved.* Whenever he parts with that ownership, the ordinary incident of alienation attaches to the particular copy parted with in favor of the transferee, and he cannot be deprived of it. This latter incident supersedes the other—swallows it up, so to speak, *and the two cannot co-exist in any owner of the copy except he be the owner at the same time, of the copyright; and, in the nature of the thing, they cannot be separated so that one may remain in the owner of the copyright as a limitation upon or denial of the other in the owner of the copy.*"

In *Harrison* v. *Maynard-Merrill Co., 61 Fed. Rep., 689,* a decision of the Circuit Court of Appeals of this Circuit it is held:

> "The owner of a copyright who has transferred the title of copyrighted books under an agreement restricting their use, cannot restrain by virtue of the copyright statutes, sales of said books in violation of said agreement. He is confined to his remedy for a breach of contract."

Judge Shipman, in the course of his opinion, says at page 690:

> "The question as it arises upon the appeal and affidavits is, Can the owner of a copyright restrain, by virtue of the copyright statutes, the sale of a copy of the copyrighted book, the title to which he has transferred, but which is being sold in violation of an agree-

ment entered into between himself and the purchasers; or are the remedies of the original owner confined to the remedies for a breach of contract?"

And in urging the conclusion that no remedy is granted under the copyright statutes and in reliance upon *Clemens* v. *Estes*, 22 Fed. Rep., 899 and *Publishing Co.* v. *Smith*, 27 Fed. Rep., 914, he confines the rights of the owner of a copyright to the period when the title to the book and to the copyright are identical and that when this identity is destroyed no rights are granted pursuant to the statute. He says at page 691:

> "This right to enjoy the benefit of the copyright statutes results from the fact *that the owner has never parted with the title to the book or the copyright*, although he parted with the possession of the book. But the right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when *the owner of the copyright and that of the copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use. The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes.* The new purchaser cannot reprint the copy. He cannot print or publish a new edition of the book; but the copy having been *absolutely sold to him, the ordinary incidents of ownership in personal property, among which is the right of alienation attach to it.*"

In *Werckmeister* v. *American Lithographic Co., 134 Fed. Rep., 321*, at page 329, Mr. Justice Town-

send expressly approves of the decision in those cases.

In *Doan* v. *American Book Co., 105 Fed. Rep., 772*, the Circuit Court of Appeals of the Seventh Circuit, following Harrison *v.* Maynard, held that the sale of a copyrighted book carried with it all the ordinary incidents of ownership in personal property including the right of alienation.

In *Kipling* v. *G. P. Putnam Sons, et al., 120 Fed. Rep., 631*, the Circuit Court of Appeals, Judge Cox writing the opinion, refers to the case of Harrison against Maynard and Doan against American Book Co. as setting forth well-known and well-recognized principles of law.

In an action brought in the United States Circuit Court in the Eastern District of Pennsylvania, on a motion for an interlocutory injunction, Judge Holland in August, 1904, says in *Bobbs-Merrill Co.* v. *Snellenburg, 131 Fed. Rep., 530-533*:

> "But the right to restrain the sale of a particular copy of a book by virtue of the copyright statute has gone when the *owner of the copyright and of that particular copy has parted with all his title to it*, and has conferred an absolute title to the copy upon the purchaser, although with an agreement for a restricted use. The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes."

The copyright statute itself contains provisions clearly indicating that only the right of republication is intended to be protected. Section 4964 defines an infringement of the copyright and imposes the penalties for the same.

"SEC. 4964. Every person, who after the recording of the title of any book and the depositing of two copies of such book, as provided by this act, shall, contrary to the provisions of this act, within the term limited, and without the consent of the proprietor of the copyright first obtained in writing, signed in the presence of two or more witnesses print, publish, dramatize, translate, or import, *or knowing the same to be so printed, published, dramatized, translated or imported, shall sell or expose to sale* any copy of such book, shall forfeit every copy thereof to such proprietor, and shall also forfeit and pay such damages as may be recovered in a civil action by such proprietor in any court of competent jurisdiction."

This section of the Statute must be construed with the whole act and as a portion thereof and must be looked to for the purpose of determining what rights Congress intended to confer and protect and as pointing out the way it deemed those rights could be infringed, and imposing penalties, not known to the common law, as punishment for an infringement.

Now what are the violations which Congress thus guards against? Every person is forbidden, *without the consent* of the proprietor of the copyright, to print, publish or import the book. Whoever does this, whether he has notice or not of the rights of the owner of the copyright is guilty of an infringement. This is entirely consonant with the general idea of a grant of monopoly by the government to the individual. The absence of a notice of the fact that he is doing a wrong, in no way affects the fact that he has committed a wrong upon the rights of the owner of a copyright. Now, when it comes to *a sale* of a book constituting an infringement of the right granted

by the statute, Congress has expressly limited the liability to those cases in which the seller had *notice* of the wrongful printing, publishing or importation.

Congress has here pointed out that it did not intend to punish as an infringement under the copyright law the *sale* of a book *legally* printed, published or imported, and a reasonable construction of the grant of monopoly accomplishes the whole purpose contemplated by the Constitution or Congress. In grants from the government to the individual, especially where they confer exclusive privileges, the rule has ever been, and has been most emphatically reasserted by the United States Supreme Court, in the recently decided case of *Metropolitan Street Railway Co.* vs. *The People of the State of New York, 199 U. S., 37*, that nothing can be included in the grant which is not expressly conferred by it, or is necessarily incidental to the powers intended to be conferred.

In the case of the copyright statutes the definition of Congress as to what does or does not constitute an infringement by a sale must be construed in favor of the public and against the monopoly.

The sale of the book printed, published or imported *with the consent* of the owner of the copyright is not an infringement. A sale of the book printed, published or imported *without the consent* of the owner of the copyright is *not* an infringement, *unless there be knowledge* of the unauthorized reproduction in the person who attempts to make the sale. Section 4965 makes a similar provision as to maps, charts, prints, etc. The statute, therefore, limits and defines the protection that it intends to afford. The printing, publishing or importing of a copyrighted book is

an infringement whether there be knowledge or not in the person committing the act, and is prohibited and penalized, but the sale of a copyrighted book is punished only if there is a concurrence of two essential features: first, that the book be printed, published or imported *without* the consent of the owner, and, secondly, that the sale was made *with knowledge* of it. The absence of either feature defeats an action for infringement.

In the case at bar the printing of the books was authorized, and a sale of the authorized copy is not punishable under the statute.

The statute not only protects the printing, but also the *publishing* of the book, but when the book has been lawfully printed and published, a sale thereof by third persons passes beyond the control of the statute, unless accompanied by notice that such printing or publishing is unlawful. And this is clearly the theory upon which *Clemons* v. *Estes*, *Harrison* v. *Maynard* and *Bill Publishing Co.* v. *Smyth* proceeded in their decision..

Counsel for Appellant concedes (Brief, page 58) that in England the copyright is limited to the multiplication of copies. He claims, however, that our statute differs by reason of the addition of the word "vending" to the grant of monopoly and states that that word is ignored in the opinion of the Court below. He argues that it was put into the statute for some purpose and that its proper interpretation should make it a monopoly of the field of sale, as broad and comprehensive as the monopoly of the field of recopying, which no one, without the proprietor's permission may invade.

The learned counsel evidently misinterprets the opinion of Judge Townsend. Not only did he pass upon this question, but he considered the claim of counsel from all points of view, quoting liberal

extracts from his brief, which are also present in the brief in this case, and he says (page 173 of the Record) concerning plaintiff's argument upon this point:

> "The fallacy of complainant's argument lies in disregarding the peculiar common law right of literary property, namely, the right of first publication and the right to restricted publication, and the condition precedent to the enjoyment of the statutory right, namely, the surrender of such common law right by a general publication. If the statutory owner desires after publication to control the lawfully published copies, such control can only be secured by means of positive contract or conditions, so accepted by the party to be charged or so brought to his knowledge that it would be inequitable to permit him to violate them. But while this right might be protected at law or enforced by a court of equity, it is not a statutory right but a common law right attached generally to the ownership of all species of property". Keeler *v.* Standard Folding Bed Co. (157 U. S., 659).

Appellant's interpretation of the word "vending" is inconsistent with its own theory of copyright. It is conceded that the rights granted by the Statute are entirely distinct from the thing created thereunder. One is the incorporeal and intangible property in notion created and endowed by the legislature with peculiar characteristics and protected by special remedies, exclusive jurisdiction over which rests in the Federal courts. The other, the tangible thing, is personal property with all the characteristics that attach to other species of personal property, and subject in like manner to the laws of that state which control the owners

other personal possessions. The transfer of the title to, or interest in, the one carries with it no title to or interest in the other. An assignment of the copyright transfers no interest in the books published, and *vice versa* an assignment of the book published transfers no interest in the copyright itself.

> *American Tobacco Co. v. Werkmeister, U. S. Supreme Court, Dec. 2, 1907.*
> *Stephens v. Cady* (*supra*).
> *Stephens v. Gladding* (*supra*).

The "vending" or sale of a copy of a book transfers the title to that particular copy and nothing more. It does not transfer one single vestige of the intangible right granted by the statute. The payment of the royalty upon that sale emancipates that particular copy from the dominion of the copyright,

> *Keeler v. Standard Folding Bed Co., 157 U. S., 660,*

without in the slightest degree diminishing the proprietor's monopoly of vending other copies.

Counsel for appellant concedes (page 40, brief) that the transfer of the title of a particular copy without any reservation emancipates that copy from the copyright but insists that the copyright owner can reserve to himself some portion of the monopoly of vending by a reservation. This denies the theory that *no portion of the monopoly* is transferred to the purchaser of a copy. The proprietor has not parted with the exclusive right to print, publish, finish or complete the book, although

the sale contains no special reservation. If he has not conferred any exclusive rights under the copyright act, how can the proprietor *reserve* to himself some right thereunder? In order to sanction complainant's claim, the court must hold that none of the rights to which the proprietor has become entitled by virtue of Section 4952 of the Statute is transferred to a purchaser by a sale of a copy of the book excepting the right to "vend", that that particular portion of incorporeal right *does* attach to and form part of the physical object created, and *is transferred therewith.* It would then logically follow that the purchaser of a copy without reservation acquires an interest in the copyright to this extent that he could impose restrictions as to the vending of that particular copy which by reason of a "reservation" to himself he could enforce *by virtue of the copyright statute,* although not the owner of the copyright itself. The purchaser of an entire edition might find such a right very profitable.

That interpretation is, however, negatived by the statute itself, which as before pointed out, makes a *sale* of the article an infringement of the copyright only in case the vendor knows that he is selling a copy printed or imported without authority.

The purposes of the constitution and of the statutes are completely satisfied by the interpretation given to it in the court below to the effect that the copyright owner has the sole and exclusive right of first sale. If, upon such sale, any restrictions are imposed the rights of the parties depend altogether upon the common law and equity principles, and not upon the statute.

Dale Tile Co. v. *Hyatt, 125 U. S., 46.*
Excelsior Wooden Pipe Co. v. *Pacific Bridge Co., 185 U. S., 282.*
Albright v. *Teas, 106 U. S., 613.*

Counsel further criticises the opinion of the courts below because the construction given to Section 4964, as the definition of an infringement. He argues that Section 4952 confers the exclusive rights; that section 4970 gives the Circuit Court power to issue injunctions to prevent the violation of such rights, and that Section 4964 is merely an additional remedy. This argument is intended to press the point that though an action for the recovery of penalties will not lie at law because the acts complained of do not constitute infringements as defined in Section 4964, yet an action in equity would lie by reason of broader powers granted under Section 4970.

Counsel, however, states (page 21) that these two sections "are intended to and do furnish different remedies, one at law and the other in equity *for the same wrong*" citing:

Stephens v. *Gladding, 17 How., 447.*
Calligan v. *Meyers, 128 U. S., 617.*

This latter view is supported by authority, and is a substantial refutation of complainant's criticisms of the opinions below. Section 4952 is the grant of the monopoly; Section 4964 defines what shall constitute an invasion of those rights of monopoly and provides for penalties without prescribing a remedy. The provisions therein for a forfeiture apparently contemplated an action at law for penalties. Section 4970 grants the right to prevent the future continuance of the wrongful

acts described in Section 4964 by injunction, and the ascertainment and award of damages for past infringements. In so far as the cause of action is concerned and the wrong to be remedied Section 4964 and 4970 are co-extensive. They differ only so far as the extent and nature of the remedy is concerned.

Bolles v. *The Outting Co., 77 Fed. Rep., 966.*

Bolles v. *The Outting Co., 175 U. S., 262,* cited with approval in *Werchmeister* v. *American Tobacco Co., decided December 16, 1907.*

POINT II.

Owing to the difference both in the theory and the letter of the patent and copyright statutes, the patent cases relied upon by complainant are inapplicable to the question of copyright here presented.

The sole similarity between the patent and copyright laws is that they both create a new species of property, which at common law was but dimly recognized. Both cover intangible, incorporeal productions of the brain. This is the limit of the similarity. Their ultimate effect and purpose is wholly dissimilar.

In the one case the idea is embodied in some useful or novel invention, and the statute covers

not alone the idea, but the product thereof, as well as all applications of that idea to any other form or any other useful machine. In the other, the idea becomes free to the world to use or not, as the individual taste of the reader may require. The protection that is accorded is to that identical idea in substantially that identical form; that is, the words in which the author has clothed it, shall not be reproduced by anyone else without the author's consent, but the right to utilize that intangible idea and make a practical application of it, to the affairs of the world has wholly passed out of *the control* of its author, and has become public property. This material distinction is emphasized by a comparison of the respective statutes.

An application for a patent is subjected to a quasi-judicial examination before it is granted. Not so with a copyright. The mere compliance with certain provisions as to filing, etc., secures the grant.

When granted, the patent gives to the inventor the sole right to make, use and sell his invention. The *user* of it is especially granted as a monopoly to the patentee. In the copyright he has only the right to print, and sell. There is no monopoly as to user. It is only, as before pointed out, the right to multiply that is protected.

Under the patent law, Sec. 4886, *the whole or any part thereof is made the subject of assignment.* Under Sec. 4915, a copyright cannot be assigned, *except as a whole;* a clear recognition that there is only one field of monopoly granted, which cannot be disposed of in parcels, whereas the patent law makes special provision for subdivisions of the field of monopoly granted.

The patent law fails to describe what is and

what is not an infringement. The copyright law is very particular in setting forth (paragraphs 4964-4965), that anyone who, without the consent of the proprietor first obtained and signed in the presence of two witnesses, prints, publishes or imports the book, or *knowing* the same to be so printed, published or imported shall sell the same, is guilty of an infringement, and the penalties therefor are fixed. Finally, the right to a renewal is given to the author or his widow or heirs, it is not the subject of an assignment, whereas under the patent law all renewals and re-issues are the subject of assignment when the patent is first issued.

The two chief differences which are relied upon to distinguish the copyright from the patent cases are those which provide, first of all, a *user in the patentee*, which is lacking in the copyright, and, secondly, the direct power granted to the patentee, and not to the owner of a copyright, to *subdivide his field of monopoly in whatever way he sees fit.*

Bearing these two distinctions in mind, an examination of the cases under the patent law relied upon by the complainant will disclose their utter inapplicability to the copyright law.

The chief case, and one which pushes the principle contended for to its furthest limits, even under the patent law, is the case of

Victor Talking Machine vs. *The Fair*,
123 Fed. Rep., 424,

a decision of the Circuit Court of Appeals of the Seventh Circuit.

That was an action for the infringement of a patent gramophone. Upon each instrument sold the complainant had affixed in a permanent manner and in a conspicuous place a notice to the effect

that the machine was registered on a certain number, and

> "is licensed by us for sale and *use* only when "sold to the public at a price not less than $25. "No license is granted to use this machine "when sold at a less price. Any sale or *use* of "this machine when sold in violation of this "condition will be considered as an infringe- "ment of our United States patent."

The defendant bought the machines from jobbers, and with full knowledge of the restrictions under which the jobbers took them, they sold them for $18 at retail, instead of $25, as required by the notice.

A demurrer to the complaint was sustained by the Circuit Court, but was reversed by the Circuit Court of Appeals. In the course of its opinion the Court say:

> "Without applying to the patent office, one "may make and use and sell the device that "embodies his invention. That is his natural "right. All that the Government can and "does grant him is the right to exclude others "from practicing his invention without his "consent. Within his domain the patentee is "czar. *By its terms the grant covers three "separate or separable fields: The patentee "may agree with one that he will not exclude "him from making; with another, from "using; and with yet another, from selling, "the devices that exemplify the principles of "his invention.*"

It will be observed that the Court, in that case, emphasizes the *three separable fields* of the monopoly and the power vested in the patentee to dispose of each one separately. Although the exercise of this power to the extent claimed in this

decision is questionable and seems to be contrary to a number of dicta of the Supreme Court, still conceding, for the purposes of this argument, that it is a correct enumeration of the powers granted by a patent, it is clear that it has no application to the copyright statutes.

The user of a book is absolutely beyond the control of the owner of a copyright, and even if there be a sub-division in terms into separate grants of monopoly, they are not made separable by the statute. Provision is made only for an assignment of the whole of the monopoly, but not for any part thereof. The two main characteristics upon which the Court based its decision are therefore lacking. The notice itself restricted the use except under certain conditions. The Court dwells upon the separate and *separable* fields of monopoly as the grounds for its decisions. The theory of that case, therefore, is that owning three separate fields, the patentee can grant any one or any portion of any one field and unless he grant the whole of that field, he has reserved unto himself so much of the monopoly that anyone who wanders beyond the strict letter of the grant trespasses upon the reserved monopoly, and this can only be claimed by virtue of the statute which creates the three separate fields and, by making provision for the sub-division likewise makes those fields separable.

The cases relied upon by the Court invariably pursue the same reasoning.

Edison Phonograph Co. vs. *Kaufman, 105 Fed. Rep., 960.*

Edison Phonograph Co. vs. *Pike, 116 Fed. Rep., 863.*

National Phonograph Co. vs. *Ladler, 128 Fed. Rep., 783.*

Not alone do those cases depend upon different separate provisions, but there are furthermore differences in the facts which even under the patent statute would present difficulties for the application of the principle.

In the patent cases relied on, the owner of a separate specified patent, or monopoly, reserved to himself under that specific grant of monopoly, a portion of the field granted, to wit: the right to use and sell, and notice of that reservation was conspicuously affixed to each and every product under the patent. In the case at bar there was, in the first place, no defeasible title transferred. On the contrary, an absolute title to the books was passed and, in the second place, the jobbers or wholesale dealers in this case were under no agreement or obligation to enforce the observance of the terms of the notice printed in the books by the retail dealers to whom they sold, nor were they bound to restrict their sales to those retail dealers only who would agree to observe such terms (Stipulation of facts, end paragraph 8, page 9). The wholesale dealers, therefore, who sold to the defendants violated no agreement with the complainant and invaded no portion of the monopoly of the complainant. That case would, therefore, come, even if it were a patent case, under the direct decision of the Supreme Court of the United States as set forth in *Keeley* vs. *Danby Folding Bed Co., 157 U. S., 660,* at page 666, which held that one who buys patented articles of manufacture from one *authorized to sell them* becomes possessed of an absolute property in such articles *freed from all restrictions* of any kind.

It is conceded in the case at bar that jobbers were authorized to sell the books and pass a perfect title. Defendants purchased the book from

the individuals authorized to sell it. They secured a perfect title therefore, freed from any restrictions that existed by reason of any notice printed in the book, even though they had knowledge.

The cases of *Dickerson* vs. *Matherson, 57 Fed. Rep., 524,* and *Dickerson* vs. *Tingley, 84 Fed. Rep., 192,* were decided on entirely different principles. In those cases it happened that the complainant was the owner, both of foreign and domestic patents for a particular invention, and the Court held that the complainant had a right to, if he so chose, sell goods under the patent of a foreign country and reserve to himself the right to sell under the United States letters patent. Had there been a divided ownership, the question naturally would not have arisen. A sale under a foreign patent without the reservation of the monopoly under other patents, would by estoppel have vested the purchaser with the rights of the patentee in the United States, but there being a special limitation that the sale was made with the reservation of all rights under the United States patent, this estoppel was evaded and the rights granted by this government were reserved.

The case of

> *Heaton-Peninsular Button Fastener Co.* vs. *Eureka Specialty Co., 77 Fed. Rep., 288,*

was especially limited to the *user* of a patent right, and in the course of its opinion the Court made use of expressions which have been relied upon at various times to sustain for the third field of monopoly, to wit, the sale, the same characteristics as for the field of user.

Ignoring the very significant sentence which, by

the extension of the principle laid down, wholly loses its meaning, the Court say:

> "The property right of a patentee, is, af-
> "ter all *but a property right, and subject*, as
> "is all other property, to the general law of
> "the land" (page 293). * * * "Neither the
> "patentee nor the machine involved in his
> "invention nor a license for use can be ex-
> "empted from liabilities and regulations
> "which in the public interest attach to all
> "persons and property under the general
> "law of the land."

In *Bement* v. *National Harrow Co., 186 U. S., page 70*, the Court makes use of certain expressions which the complainant relies upon to sustain its position. That case, however, stands strictly for the proposition that the owner of the patent can make a contract with his licensee which, with few exceptions, will be sustained. That as between him and his licensee the terms of his license *can be enforced in the State Court*, and that thereby no question is presented for Federal jurisdiction. The Court furthermore emphatically refuses to pass upon the question whether a combination to control prices with other patentees is involved as there was no finding to that effect and the Court would not presume such finding for the purpose of reversing the judgment.

The case of *Cortelyou & ano.* vs. *Johnson Co., 138 Fed. Rep., 110*, upon which Appellant lays great stress (pages 49-53) was reversed by the Circuit Court of Appeals for the Second Circuit on the ground that the notice therein was not sufficient the majority of the courts adding as a further reason that the patent law could not be invoked to restrain the contributory infringe-

ment alleged to have taken place in that case. This court in December, 1907, affirmed the decision of the Circuit Court on the ground that there was not sufficient evidence of notice but expressly reserved all expressions of view as to any other point discussed in the majority opinion below.

POINT III.

The patent cases referred to have never been affirmed in the Supreme Court.

The underlying principle of the *Victor Talking Machine Co.* against *the Fair* (*ubi supra*), appears to be that a sale of a patented article, accompanied by a stipulation, either expressly agreed to, or in some way brought to the notice of the purchaser, that a resale is limited to certain terms and for a certain price, constitutes a license under the patent law to do one specific act, and unless strictly obeyed, there is some infringement of the patent right reserved to the owner resulting, not from a breach of the contract of sale, but as a direct invasion of the monopoly granted. The logical result of this theory is that the sale of any patented article, and the interpretation of of the contract of sale, are subject matters for the exclusive jurisdiction of the Federal Courts, and the effect of their judgment would necessarily have to be either the enforcement of the terms of that contract of sale, or the annulment of some pretended license accompanying the same.

The United States Supreme Court has uniformly held that if the suit is brought to enforce or set aside a contract, though such contract be connected with a patent, it is not a suit under the patent laws, and the jurisdiction of the Circuit Court can only be maintained upon the grounds of diversity of citizenship.

Excelsior Wooden Pipe Co. vs. *Pacific Bridge Co., 185 U. S., 282.*

In *Dale Tile M'fg. Co.* vs. *Hyatt, 125 U. S., 46 to 54,* Judge Gray says:

> "It has been decided that a bill in equity in the Circuit Court of the United States by the owner of letters patent, to enforce a contract for the use of the patent right, or to set aside such a contract because the defendant has not complied with its terms, is not within the Acts of Congress, by which an appeal to this Court is allowable in cases arising under the patent laws, without regard to the value of the matter in controversy. Act of July 4, 1836, chap. 357, Sec. 17, 5 Stat. at L. 124; Rev. Stat., Sec. 699; *Wilson* v. *Sandford, 51 U. S., 99; Brown* v. *Shannon, 61 U. S., 55.*
>
> Following those decisions, it was directly adjudged in *Hartell* v. *Tilghman,* 99 U. S., 547, that a bill in equity by a patentee, alleging that the defendants had broken a contract by which they had agreed to pay him a certain royalty for the use of his invention and to take a license from him, and thereupon he forbade them to use it, and they disregarded the prohibition and he filed this bill charging them as infringers, and praying for an injunction, an account of profits, and damages, was not a case arising under the patent laws, and therefore, the parties being citizens of the same

State not within the jurisdiction of the Circuit Court of the United States. And the judges who dissented from that conclusion admitted it to be perfectly well settled 'that where a suit is brought on a contract of which a patent is the subject matter, either to enforce such contract, or to annul it, the case arises on the contract, or out of the contract, and not under the patent laws. *99 U. S., 558.*

In the still later case of *Albright* v. *Teas, 106 U. S., 613*, a patentee filed a bill in equity in a State Court, setting up a contract by which he agreed to assign his patent to the defendants and they agreed to pay him certain royalties, and alleging that the defendants had refused to account for or pay such royalties to him, and had fraudulently excluded him from inspecting their books of account. The defendants answered that the plaintiff had been paid all the royalties to which he was entitled, and that, if he claimed more, it was because he insisted that goods made under another patent were an infringement of his. The Court held that it was not a case arising under the Constitution or laws of the United States, removable as such into the Circuit Court under the *Act of March 3, 1875, Chap. 137, Sec. 2, 18 Stat. at L., 470.*

It was said by Chief Justice Taney in *Wilson* v. *Sandford*, and repeated by the Court in *Hartell* v. *Tilghman*, and in *Albright* v. *Teas*: 'The dispute in this case does not arise under any act of Congress, nor does the decision depend upon the construction of any law in relation to patents. It arises out of the contract stated in the bill; and there is no Act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles.' *10 How., 101, 102; 99 U. S., 552; 106 U. S., 619.* * * *

The decision was based upon the contract

between the parties; and the Court did not decide nor was it necessary for the determination of the case that it should decide, any question depending on the construction or effect of the Patent Laws of the United States.

Kinsman v. *Parkhurst, 59 U. S., 289;*
Brown v. *Atwell, 92 U. S., 327.*

In the nearest case to the case at bar decided by the United States Supreme Court a restrictive sale by a licensee was declared to be wholly freed from such restriction, at least, in so far as the patent laws were concerned.

In *Keeler* v. *Standard Folding Bed Co., 157 U. S., 660,* the syllabus states the gist of the decision as follows:

> "One who buys patented articles of manufacture from one authorized to sell them within the territory of the purchase, becomes possessed of an absolute property in such articles, unrestricted in time or place, and may sell them in other territory of other assignees of the patent, although he purchased them for the purpose of selling them in such other territory."

Mr. Justice Shiras, writing the opinion of the Court, reviews the various cases. He quotes with approval from *Mitchell* v. *Hawley, 83 U. S., 547,* and *Adams* v. *Burke, 84 U. S., 453,* and then reviewing all the decided cases, he says:

> "This brief history of the case shows that in *Wilson* v. *Rosseau, 45 U. S., 688,* and cases following it, it was held that as between the owner of a patent, on the one side, and a pur-

chaser of an article made under the patent, on the other, the payment of a royalty once, or, what is the same thing, the purchase of the article from one authorized by the patentee to sell it, emancipates such article from any further subjection to the patent throughout the entire life of the patent, even if the latter should be by law subsequently extended beyond the term existing at the time of the sale, and that in respect of *the time* of enjoyment, by those decisions, the right of the purchaser, his assigns, or legal representatives, is clearly established to be entirely free from any further claim of the patentee or any assignee; that in *Adams* v. *Burke,* 84 U. S., 17 Wall, 453, it was held that, as respects *the place* of enjoyment, and as between the purchaser of patented articles in one specified part of the territory and the assignee of the patent of another part, the right once legitimately acquired to hold, use and sell, will protect such purchaser from any further subjection to the monopoly; that in *Hobbie* v. *Jennison,* 149 U. S., 355, it was held that as between assignees of different parts of the territory, it is competent for one to sell the patented articles to persons who intend, with the knowledge of the vendor, to take them for use into the territory of the other.

Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. *Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws.*

It appears that in *Edison Phonograph Co.* v. *Pike,* 116 Fed. Rep., 863, the foregoing case was called to the attention of the Court and it was conceded that if the last sentence meant that the special contracts alluded to could be enforced only like other contracts by an action at law, for a breach, or a bill in equity, as the action might require, it would dispose of the case then under consideration (which is one of the cases relied upon by complainant), "*but,*" the Court says, "*it is not "clear that the Supreme Court meant to exclude "the possibility of a contract so drawn, that by "virtue of a special stipulation therein contained "a breach of the contract should in, and of itself, "make the wrongdoer an infringer who could be "proceeded against under the patent laws*" (page 865).

It is very clear that the Court displayed great astuteness in extending the scope and operation of the monopoly contrary to the well-established doctrine that a monopoly must be strictly construed against the grantee thereof.

But it is even contended that an infringement of the patent cannot be created by any agreement of the parties no matter how astutely worded, if the act itself does not, standing by itself, infringe the patent.

The Federal Courts have no jurisdiction in patent cases unless an infringement be alleged and proven, and the parties cannot, by *any* agreement, as between themselves, for the purpose of conferring such jurisdiction, determine certain acts to be infringements, any more than they can agree amongst themselves that in the case of a breach of a contract they should be considered as citizens of different States for the purpose of

creating the jurisdictional facts in the United States Courts. The parties cannot by agreement as stated in 116 Fed. Rep., 863, enlarge either the extent of the legislative monopoly, or of the jurisdiction of the Court, and it is very clear that the dictum in the *Keeler* case that such question would arise as a question of contract and not as under the meaning of the patent laws, is not a mere expression of opinion of an individual judge, but is an accurate statement of the law upon the subject.

It is perhaps pertinent to call to the attention of the Court that if by the agreement between the parties, craftily worded for that purpose, dealings in patented or protected articles of any kind can be drawn to the exclusive jurisdiction of the Federal Courts, that it constitutes an unprecedented enlargement of the Federal jurisdiction, which would threaten to, and probably would, absorb every action at law or bill in equity, involving the sale of any articles containing any patented feature, or the product of a patented machine, and it would be difficult to imagine any article which at some period in the course of its production, did not come in close touch with some patented machine or process, by reason of which contracts in relation thereto could be wholly removed from the jurisdiction and process of the State Courts.

Such a result was surely not in the contemplation of the Congress which passed the patent laws, or of the framers of the Constitution, and certainly has never received the sanction of the United States Supreme Court.

POINT IV.

The complainants are parties to a combination which is illegal in its scope and intent both under the State law, and under the Federal Statutes, and the present action is brought for the purpose of enforcing one of the rules of such illegal combination.

It appears that sometime in the Fall of the year 1900, a large majority of the publishers of books in the State of New York and throughout all the States of the Union, entered into an agreement for the purpose of maintaining the net retail price of copyrighted books published by any of them, and to prevent the sale at retail of any such copyrighted books by any dealer at retail, at less than the said fixed net retail price.

In pursuance of that plan a membership corporation was formed under the laws of the State of New York—the American Publishers' Association—which included the large majority of all the publishers of copyrighted and uncopyrighted books throughout the United States.

Shortly thereafter, and about February 13th, 1901, this corporation adopted a resolution, and entered into agreements with the various publishers, including the complainant for the purpose of carrying the plan into effect (Exhibit A, page 62). These resolutions and agreements provided that all the copyrighted books published after May 1st, 1901, should be sold at retail at net prices, meaning thereby that the retail price of a book so pub-

lished should be printed on a paper wrapper covering the book, that this price should be uniformly maintained in all sales at retail. Article 3 (page 62), provides the penalty to be inflicted upon any retail or other dealer who violated the net price system, by selling the book so published at less than the published price. The same reads as follows:

> "That the members of the Association agree that such net copyrighted books, and all other of their books, shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year, and to those booksellers and jobbers only who will sell their books further to no one known to them to cut such net price, or whose name has been given to them by the Association as one who cuts such price, or who fails to abide by such fair rules and regulations as may be established by local associations as hereinafter provided.
>
> A dealer or bookseller may be defined as one who makes it a regular part of his business to sell books and carry stock of them for public sale."

It will be observed that the association first of all *compels the publisher* to publish at a net retail price, all copyrighted books issued after May, 1901, which retail price he himself is bound, under the rules, to maintain for the specified year (Article 7). The members of the association thereafter agreed that such net copyrighted books, that is to say: copyrighted books published under the rules since May, 1901, *and all other books;* that is, books copyrighted prior to that time, uncopyrighted books and all such books as were excepted from the net price system in paragraph 1,

should be sold by them to those retailers only who would maintain the retail price of net copyrighted books. In the absence of any intermediate jobbers or distributors of books, the publishers, members of this association, would therefore, by this agreement have the power upon the breach by a retailer of the rules of the association to forthwith stop the supply of the offender, not alone of all those books copyrighted since May, 1901, but of each and every book of any kind in which they, or any of them dealt.

As a matter of fact, however, there are jobbers and wholesale dealers in books, who, unless controlled in some way, would nullify all the precautions of the publishers by selling at wholesale to any one who would pay the wholesale price, not only the net copyrighted books, but also any and all other books. Such a contingency was intended to be covered by the latter half of paragraph 3, wherein it is provided that the publishers would sell to those wholesalers and jobbers only, who would sell their books further to no one known to them to offend against the rules, or whose name was given to them as one who cuts prices, or who failed to abide by any reasonable rules and regulations of any local associations.

Pursuant to this provision any jobber who knowingly sells to a retail dealer who has been placed under the ban of the association, any books of any kind whatsoever, is in his turn placed on the blacklist and deprived of his supply of any and all kinds of books copyrighted, or otherwise.

The underlying idea obviously is to secure obedience to the rules of the association by cutting off the total book supply of any offender, or any one who supplies an offender, and thus driving

him out of business. A later paragraph of the resolution (paragraph 10, page 63), provides for the formation of a Booksellers' Association, the object of which was to assist the publishers in maintaining prices as aforesaid; in pursuance of which a voluntary association, the American Booksellers' Association was formed, which included a large majority in number and extent of business, of all wholesale and retail book dealers throughout the United States, whose avowed purpose was to assist the publishers in the maintenance of the net price system for the sale of books at retail, and whose members agreed to supply the names of price cutters to the association, and who also agreed to refrain from selling such price cutter *any books of any kind whatsoever.*

In June, 1901, this association adopted a resolution called "Reform Resolution No. 1" (page 64), to carry its avowed purpose into effect. Amongst other things (paragraph 2, Exhibit "B," page 64), this association and its members agreed "not to buy, not to keep in stock, nor to offer for sale after due notification, the books of any publisher who declines to support the net price system." This clause was evidently deemed necessary, not only as a club against the few publishers of copyrighted and uncopyrighted books who had not joined the Publishers' Association, but also as a guard against defection by the members themselves.

The two associations had, by this very simple method, devised a plan to control the whole retail book trade by, in the first place, securing the power to dictate the ultimate retail price of their publications, and punishing a breach thereof by crippling, if not completely destroying, the *purchasing*

power of the offender, and, in the second place, in case a *publisher* did not surrender his liberty, the booksellers were called upon to cripple his *selling* power by refusing to deal with him.

Since said time, in pursuance of the agreements and resolutions of these two associations, none of the members of either of said associations, including the complainant, would sell or supply, or sanction the sale or supply, of any books at any price to anyone in the State of New York or elsewhere, whether a member of the said associations or not, whether the books were copyrighted or not, or whether published by any of the members of the Publishers' Association or not, who did not maintain the arbitrary net retail price on copyrighted books published by the members of the Publishers' Association, or who would resell, or was believed to have resold such copyrighted books to any dealer, who thereafter sold the same at retail at less than the arbitrary price named by the publisher, and maintained pursuant to the rules and agreements of the two associations and their members (Stipulation of Facts, paragraph IV, page 65).

In succeeding years the resolutions and agreements were enlarged so as to cover all fiction, published after February 1st, 1902, and in addition to the *net price*, a so-called *restricted* price was established, whereby the dealers were allowed, in case of fiction not published at a *net* price, to allow a discount not greater, however, than 28 per cent. (Exhibit C, page 67, paragraph 4).

On May 27, 1902, paragraph 4 was amended with reference to the sending of a work of fiction postpaid (Exhibit D, page 69). On January 15, 1903, another amendment was adopted which prohibited the sale of a protected book in combina-

tion with a periodical, at less than the trade subscription price of the periodical, plus the net or minimum retail price of the book (Exhibit E, paragraph 3, page 71).

On February 13, 1903, by amendment to Articles 1 and 4 publishers were permitted to exclude certain juvenile books from the *net* publications and to include them under the *restricted* price classification (Exhibit F, page 73).

On January 13, 1904, articles 1 to 5 were amended so as to apply to all juvenile books, and article 4 was amended so as to provide for the publication and sale of all juvenile books (not net), under the system applying to the publication and sale of copyright works of fiction (Exhibit G, pages 75-76).

Shortly after this last amendment in February, 1904, the Court of Appeals of the State of New York, in an action brought by the defendants in this action, as plaintiffs, against the American Publishers' Association and the American Booksellers' Association, and such of their respective members as were within the jurisdiction of the State Court, declared the various resolutions and agreements of the Associations and their members as unlawful and void, and contrary to the Statute Law and public policy of the State of New York, on the ground that they interfered with the free pursuit of a lawful business in the State of New York.

Straus v. *American Publishers' Association*, 177 N. Y., 473.

The prevailing opinion is printed in full at pages 77-82 of the record on the final hearing on this action.

Chief Judge Parker, writing the opinion, argued that each owner of a copyright could sell his book on such terms as he saw fit, but that inasmuch as the combination sought to affect the supply of uncopyrighted books in which there was no monopoly copyrights, it was an interference with the free pursuit of a lawful business and wholly void.

After this decision became known and, construing the same to mean that because the owner of a copyright had secured a monopoly, that the owners of *all* copyrights could enter into *any* combination or agreement concerning the supply or price of protected books, free from any restraint of the Anti-Trust Laws of any State, or of the Federal Government, the American Publishers' Association, on or about the 13th day of March, 1904, again amended its resolutions and agreements and sought to limit the same to copyrighted books only (Exhibit E, page 83). The parts that were omitted from Paragraph 3, the important section, as contained in brackets and the portion added by the amended as italicized, is as follows:

> III.—That the members of the association agree that [such net] copyrighted books [and all others of their books] shall be sold by them to those booksellers only who will maintain the retail price of such net copyrighted books for one year, and to those booksellers and jobbers only who will sell their *copyrighted* books *except at retail* [*further*] to no one *who* [*known to them to*] cuts such net prices [or whose name has been given to them by the Association as one who cuts such prices or who fails to abide by such fair and reasonable rules and regulations as may be established by local associations as hereinafter provided].

In April, 1904, the American Booksellers' Association passed its so-called "Reform Resolution No. 2," which consisted simply of adding the word "copyrighted" before the word "books" throughout the resolution. By this amendment all the owners of all copyrighted books, whether the same were published by any of the members of the Association or not, whether such books were published before the net price system was established or not, whether such books were copyrighted in the United States or in foreign countries, refused to sell any of them to any person, who did not maintain the retail price (either net or restricted), established by the Publishers' Association for books copyrighted since May, 1901, and the Booksellers' Association and its members, who were not the owners, or interested in any copyrighted book of any kind, agreed that *their* members would not sell any copyrighted book, of any kind, to any individual who did not maintain the rules of the American Publisher's Association.

The defendants never joined either association and were placed on the cut off list in May, 1901, because they refused to maintain the net retail price of $1.40 on the copyrighted book "Tarry Thou Till I Come," published by Funk & Wagnalls, but uniformly sold the same at retail at $1.24.

The testimony taken on behalf of complainant for the purpose of proving injury to the copyright, gives the real purpose and intent of the combination as being directed against department stores (See testimony of Putnam, page 26, *et seq.*). This witness claimed that department stores by selling books below cost, injured the trade and destroyed the value of all copyright, although he was unable

to recollect a single instance, either before or since the establishment of the net price system, where the defendants had sold a book below cost, and although it is conceded in the case at bar, that they sold "The Castaway" at the uniform price of 89 cents at retail, instead of $1; whereas, they purchased the same at a trifle over 60 cents (Paragraphs 6 and 9, Stipulation of Facts, pages 8 and 9).

Mr. Curtis, one of the officers of the complainant, testified that all the books published by his concern, were published under the rules of the American Publishers' Association (cross examination, page 43).

The defendants contend that by reason of the foregoing facts the complainant was, and is, a party to an illegal combination whose object was to restrain both local trade and interstate commerce, by fixing and maintaining the price at which copyrighted books in general, should be sold throughout the United States, and destroying, or attempting to destroy, all competition in the sale of books at retail throughout the United States, and that as a further portion of such scheme, and as a means of carrying the same into effect, the combination sought to, and did, in fact, limit and control the persons to whom books should be sold at wholesale, and cut off the supply of copyrighted books and others, of those who did not join with them in their combination.

The complainant, by this agreement and under the resolution of the American Publishers' Association, was compelled to publish its book at either a net, or a restricted price. It was well known throughout the trade that, being a net book published by a member of the Publishers' Assceiation,

the price was to be uniformly maintained throughout the United States. The complainant itself could not sell it at retail at less than that fixed price.

The State Court decided that the combination controlling the supply of books, because it also controlled uncopyrighted books, was illegal, and discarding for the moment the theory that the owners of protected books can enter into combinations with each other, which are prohibited to the owners of unprotected books, it is very clear that in addition to the unlawful character fastened upon it by the State Law, it is contrary to both the letter and spirit of the Federal Anti-Trust Law.

Judge Harlan, in the prevailing opinion of the United States Supreme Court in the recent case of *Northern Securities Company against the United States, 193 U. S., 197,* after reviewing the cases, sets forth categorically certain propositions, which he considers plainly deducible, as to the application of the Anti-Trust Law. These are in part as follows (page 331):

> "That the act embraces and declares to be illegal *every* contract, combination or conspiracy in whatever form, of whatever nature, *and whoever may be the parties to it*, which directly or necessarily operates in restraint of trade, or commerce among the several States, or with foreign nations.
>
> That the act is not limited to restraints of interstate and international trade or commerce that are unreasonable in their nature, but embraces all direct restraints imposed by *any* combination, conspiracy or monopoly upon such trade or commerce. * * *
>
> That combinations, even among private manufacturers or dealers, whereby interstate

> or international commerce is restrained are equally embraced by the act. * * * That the natural effect of competition is to increase commerce and an agreement whose direct effect is to prevent this play of competition restrains, instead of promoting, trade and commerce. * * *
>
> That the constitutional guarantee of liberty of contract does not prevent Congress from prescribing the rule of free competition for those engaged in interstate and international commerce."

If competition is desirable and promotes commerce, as stated by Judge Harlan, then the underlying scheme of the Association, and the agreements of their respective members, are wholly indefensible and contrary to the statute.

But the complainant contends that the grant of monopoly, which it enjoys, for the publication and sale of one copyrighted book, includes a privilege denied to the owners of any other species of property; that is, to engage in any combination or conspiracy with the owners of other Federal monopolies, free from the control of, or interference by, either the State or the Federal Courts, completely emancipated, as it were, from any and all trade regulations, which are applied to unprotected articles of commerce by the statute law or the common law.

Section 1 of the Sherman Anti-Trust Law (Fifty-First Congress, Vol. 26, page 209), says:

> "Every contract, combination in the form of trust or otherwise or conspiracy in restraint of trade or commerce among the several States or with foreign nations is hereby declared to be illegal. *Every* person who shall make any such contract or engage in any

such combination or conspiracy shall be deemed guilty of a misdemeanor, etc., etc."

Section 2. "*Every* person who shall monopolize or attempt to monopolize or combine or conspire with *any* other person or persons to monopolize any part of the trade or commerce among the several States or with foreign nations shall be deemed guilty of a misdemeanor and on the conviction thereof, etc., etc."

In order to remove the combination of owners of copyrights, patents, etc., from the operation of the Federal Anti-Trust Law, the Court must interpret the statute as meaning not "*Every* contract, combination or conspiracy in restraint of trade, etc.", but "Every contract, combination or conspiracy *in articles not covered by copyrights or letters patent, etc.*" And in Section 2 instead of "*Every* person who shall monopolize, etc.", there must be interpolated "Every person *except the owner of a patent or copyright who shall monopolize,* etc."

Assuming that the grant of monopoly in patent and copyright laws enabled the owners of different copyrights and of different patents to enter into a combination, that right has clearly been taken and destroyed, if it ever existed, by the Anti-Trust Law.

It must, of course, be conceded that in an action for the infringement of a patent, or a copyright, where the infringement consists of the manufacture of a similar article without the sanction of law, and in violation of the direct words of the patent granted, a defense that the party who seeks to establish his patent is guilty of some wrong, cannot be sustained. But there is a clear distinction between enforcing the monopoly granted by the patent, and enforcing the terms of some con-

tract or agreement made with others, which is not contained in the patent itself, and constitutes an infringement, if at all, *by reason of some extrinsic agreement.* In every case relied upon by the complainant as authority for their position, this distinction is emphasized. In *National Folding Box & Paper Co.* vs. *Robertson, 99 Fed. Rep., 985,* the complainant alleged an infringement in the manufacture of paper boxes. That the acts complained of were an infringement had been established in another action. The sole defense was that the plaintiffs were members of an illegal combination to monopolize, manufacture and trade in paper boxes. This was overruled, and properly so, on the ground that the plaintiff did not lose the benefit of the direct monopoly contained in his patent because he may have been guilty of some illegal act in some other connection. But the Court quotes and cites with approval the language of Judge Wallace of this circuit in *Strait* vs. *National Harrow Co., 51 Fed. Rep., 819,* as follows:

> "If the defendant had brought suit against the plaintiffs for some breach of contract or violation of its alleged rights founded upon the combination against them, it might become pertinent to inquire into the character of the combination and ascertain whether the Court would enforce any rights growing out of it."

The language of Judge Wallace is in every detail applicable to the case at bar in so far as this defense is concerned.

In *National Harrow Co.* vs. *Hench, 76 Fed. Rep., 667, affirmed by the Circuit Court of Appeals, 83 Fed. Rep., 36,* the Court seems to have acted on this principle of refusing to enforce any portions of a *combination* that was illegal, even though in

that particular case, the action was brought by the owner of a patent against its licensee, and the Circuit Court of Appeals, 83 Fed. Rep., 336, makes use of this language:

> "Patents confer a monopoly as respects property covered by them, but they confer no right upon the owners of several distinct patents to combine for the purpose of restraining competition and trade. *Patented property does not differ in this respect from any other.*"

It is not denied that if a pirated edition of any of the work covered by the complainant's copyright were put upon the market, complainant would have the right to restrain the sale thereof, and enforce the penalties granted by the statute. Nor would in such case a defense that it was a party to an illegal combination be pertinent, but this is true only for the reason that in the enforcement of its rights it would not be enforcing the unlawful rules and regulations of an unlawful combination. Its rights would not be dependent in such case upon any *contract* unlawful in its character, but solely upon the copyright issued pursuant to law.

If the theory set forth by Judge Wallace is correct, then whenever a party to an unlawful agreement seeks to enforce a right or a remedy springing from the agreement, he can be successfully met with proof of the illegality of that agreement.

And finally in the case of *Bement* vs. *National Harrow Co., 186 U. S., 70,* the Court in the final paragraph of the opinion expressly refuses to pass upon the question of a *combination or agreement between the various owners of patents* to control the price of harrows, on the ground that

there was no finding that contracts were entered into between the parties or that a combination between the manufacturers had been effected, and that it would not make such presumption for the purpose of reversing the decision or finding to that effect.

To give the owner of a copyright or a patent liberty to enter into combinations and agreements with the owners of other patents, or copyrights, which in unprotected articles are unlawful and in many jurisdictions criminal, would be a curtailment of the rights of the public, which never was, and never could have been intended.

The opinion of Judge Ray, *139 Fed. Rep., page 158*, is very convincing upon this point.

POINT V.

The complainant rests his rights solely on the copyright question.

Although in the courts below the complainant attempted to establish some rights on the theory of a violation of a contract, independently of the copyrights statutes, it expressly abandons that claim by its failure to make any mention thereof in the bill of exceptions.

But in view of the fact, as is pointed out by Judge Townsend, that there is no proof of any contract but a mere notice in the book; that there is no reservation of title to, or any interest in the copy sold; no suggestion of any agreement on the part of either the intermediate or ultimate pur-

chaser, nor any restriction upon or provision for the forfeiture of title, that claim cannot find support under any theory of breach of contract, or of any unlawful persuasion of another person to break his contract with a third person. In fact, it was conceded that the wholesale dealers, to whom complainant sold the books, were under no agreements or obligations to enforce the terms of the notice printed in the book, nor to restrict their sales to such retail dealers as would agree to observe such notice.

POINT VI.

It is respectfully submitted that the decree appealed from should be affirmed with costs.

JOHN G. CARLISLE,
EDMOND E. WISE,
Of Counsel for Appellees.

UNITED STATES SUPREME COURT.

THE BOBBS-MERRILL COMPANY,
Appellant,

vs.

ISIDOR STRAUS AND NATHAN STRAUS, Co-partners doing business under the firm name of R. H. MACY & CO.,
Appellees.

No. 176.

OCTOBER TERM, 1907.

Appeal from Decree of the Circuit Court of Appeals of the Second Circuit.

SUPPLEMENTAL BRIEF FOR APPELLEES.

J. G. CARLISLE,
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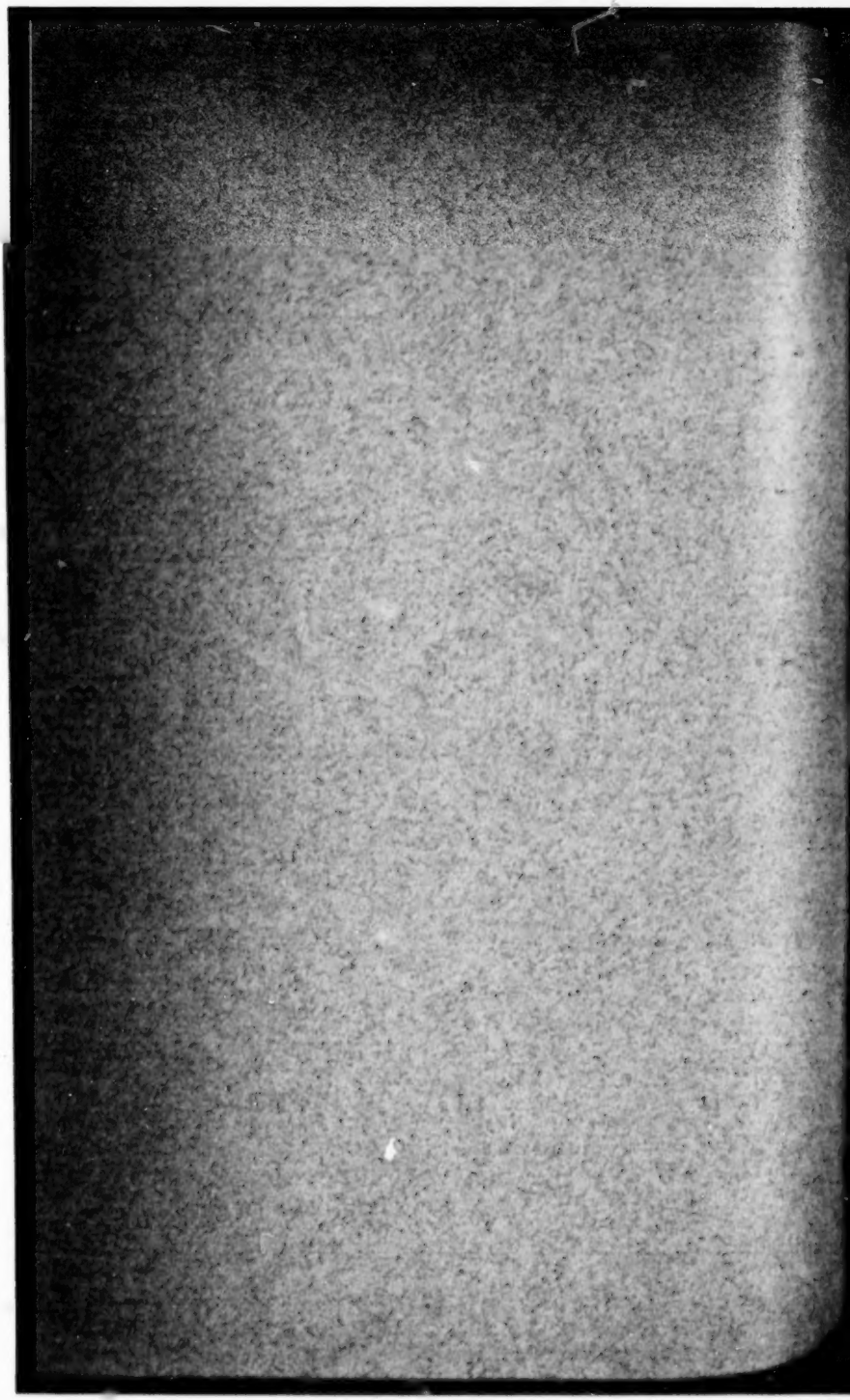

Supreme Court of the United States.

THE BOBBS-MERRILL CO.,
Appellants,

against

ISIDOR STRAUS and NATHAN STRAUS, co-partners, doing business under the firm name of R. H. MACY & Co.,
Appellees.

OCTOBER TERM, 1907.

NUMBER 176.

Supplemental Brief for Appellees.

By permission of the Court, Mr. Olin, counsel for Charles Scribner's Sons against Isidor Straus *et al.*, Numbers 204 and 205 on the present calendar, filed a brief in this case.

In so far as questions of law are involved, that brief is almost identical with the briefs filed in the Scribner cases, and those questions are discussed at length in the Appellee's briefs filed in the Scribner cases to which we beg leave to refer.

Point I.

The argument attacking the methods of department stores in the sale of books, is wholly unsupported by any evidence in the record and has no foundation in fact.

The appellees, as disclosed by the record, are not seeking to drive any dealers out of business by selling at less than a living profit, or for advertising purposes. They are conducting a large book business in which they are selling their wares at a profit satisfactory to them, and they desire to continue so to do without interference from, or dictation by a majority of publishers and dealers in books, who, as Mr. Olin claims, ardently desire that larger profits must be made so as to increase the prosperity of all publishers and book sellers generally.

In the stipulation of facts in this case (*Page 8, paragraph 6*), it is conceded that the appellees purchased ninety per cent. of their stock of "The Castaway" from wholesale dealers at a discount of forty per cent. from the retail price of one dollar, that is at about sixty cents. They sold these books at the uniform price of eighty-nine cents (*Page 9, paragraph 9*), thus making a gross profit of twenty-nine cents, or approximately fifty per cent. on each book. Before such books came into the hands of the appellees, the publishers, the appellants, had received their profit on the sale to the wholesale dealer, who in turn had received his profit on the sale to the appellees. The author, publisher and wholesale dealer had all received the full profit which they had demanded. The attempted restriction is not, therefore, and cannot be intended for the protec-

tion of any individuals or class contemplated either by the Constitution or the Statute.

It may be true that publishers are very eager to secure the power of controlling and maintaining the retail prices of their books, but it certainly is not true, as maintained at page 6 of the brief, that books are of such a peculiar nature that they differ from other articles of merchandise, and there is no special reason why books, whether copyrighted or uncopyrighted, must be sold at retail to the public at an enormous profit, which does not prevail in any other article of merchandise, that is, the desire to obtain from the public the largest price that can be extorted, secure from competition from any source whatsoever. Dealers in coal, oil, milk and many of the necessaries of life, have made precisely the same claim, have made precisely the same attempts to secure by combinations the power to fix the minimum retail price to the public which the book trade has concededly attempted to do. In this community in which education is practically compulsory, where almost every hamlet boasts its school houses and its libraries, books must be ranked in importance with the "necessaries of life," and any combination of individuals which seeks to maintain and increase to the public the cost of intellectual nourishment should find as little aid and comfort in the courts as combinations which seek to maintain and increase the cost of food to the body; and any attempt on the part of an individual, whether he be acting in his own behalf or for the benefit of a combination, to produce such a result by virtue of a claim of right under a Statute should be carefully scrutinized and be condemned unless expressly granted by the spirit and the letter of the law.

Mr. Olin further claims "the Court will note that there is no intention whatever of preventing or lessening competition" (*page 9*), and yet he claims at page 6, *et seq,* that the competition of the department stores is irksome to book dealers, and that a combination of publishers and book sellers was formed to curb the same (*page 8*).

He says at page 9:

"The Court will note that the purpose sought, namely, the fixing of a uniform retail price at which all retailers may purchase without any rebate or allowance, is in accordance with modern public policy as declared by the legislator and expounded by the courts."

Presumably the words "*retailers may purchase*" is intended to be "retailers may *sell.*" Neither in the notice in "The Castaway", nor in the articles of agreement of the Publishers Association, is there any restriction as to the price at which the retailer may *buy.* On the contrary this is left wholly to the discretion of each individual publisher (*Paragraph 5, page 63*), and the attitude of legislatures and courts is directly contrary to what Mr. Olin claims it to be. No legislature has ever passed a law or sanctioned the policy of fixing the *minimum* price at which ordinary articles of commerce are to be offered to the public. On the contrary many States have expressly forbidden any combination on the part of dealers to maintain prices of commodities, and declared them against public policy and criminal (*Laws of N. Y., 1899, Chapter 690*), and even in the absence of such statutory prohibition most courts have declared such combinations unlawful.

Mr. Olin further says (*page 10*).

"The court will note that there is no suggestion on the part of anyone that the effect of the enforcement of this right, would be to raise prices to the public."

The sole purpose of the Bobbs-Merrill Co. and the Scribners in bringing these actions is to prevent Macy & Co. from selling at a *lower* price, and to compel them, if they wish to deal in books, to sell to the public *at an increased price.*

Point II.

The rights given by the copyright statute were discussed at length on the argument and in the briefs submitted.

Point III.

The decisions in the patent cases cited in Point "III" of the brief have never been approved directly or indirectly in this court.

On the argument, counsel for the appellants was several times requested to refer the court to any decisions of the Supreme Court sustaining the opinions and decisions of the various Circuit Courts of Appeal. He was unable to refer to any excepting *The American Cotton Tie* case, 106 U. S., page 89. That case was clearly decided on the

theory of infringement by *manufacture* and not by *sale*. It is true the buckles were endorsed with the words "licensed to use once only", but the court held that the buckle was used in conjunction with a new band or link on cotton bales, and that this infringed the third claim of one patent and the third, fourth and fifth claims of a re-issued patent, and the claim of a third patent. In conclusion the court says:

"We do not decide that they are liable as infringers of either of the three patents *merely because they have sold* the buckle considered, apart from the band or from the entire structure as a tie."

Mr. Olin in his third point fails to cite any decision of this court in support of the proposition he contends for.

In addition to the oral argument and to the case cited at Point III in the main brief, we respectfully call to the attention of this court that it has uniformly refused to consider actions brought by a patentee to enforce the terms of a license as within the inherent scope of the patent laws, and unless other jurisdictional facts were present, it has invariably required the Circuit Courts to dismiss such cases for lack of jurisdiction.

In the case at bar, the notice printed in "The Castaway" is claimed to have the effect of a license to sell. Without conceding that the owner of a copyright has the power by virtue of the copyright act to grant such a license, or that the notice itself, if he had such a power, is effectual for that purpose, but assuming for the sake of argument, that appellants' interpretation of it as *a license* is proper still under the decision of this court,

this would not bring it within the protection of the copyright statute.

The purpose of this action, as shown by the prayer for relief (*page 6*) is to restrain the defendants from selling "The Castaway" at less than the price fixed in the notice. The relief prayed for is in the nature of specific performance of that notice. The court is not asked to cancel the license, it is not claimed that a failure to live up to the terms of the license *ipso facto* destroys it, the court is asked *to enforce the terms of the license by preventing a breach thereof.* This situation is precisely the same as in *Hartell v. Tilghman,* 99 U. S., 547, the syllabus of which is as follows:

"A suit between citizens of the same State cannot be sustained in a Circuit Court of the United States, as arising under the Patent Laws where there is no denial of the validity of plaintiff's patent, where its use is admitted and where a subsisting contract is shown governing the rights of the parties in the use of the invention. Relief in such an action is founded on the contract, and not on the patent laws of the United States.

In that case, Mr. Justice Miller, who delivered the opinion of the court, in arriving at the conclusion that the action is not "a case arising under the patent laws" makes use of the following analogy:

"If a man owning a tract of land, his title to "which is a patent from the United States, should "sell or lease that land, and a controversy should "arise between him and his vendee or lessee as "to their rights in the premises, it could not be "said that any suit brought by the vendor, to "assert his rights was a suit arising under the land

"laws of the United States, and this would be "beyond question if the defendant, admitting the "title of plaintiff to the land, should make no "other defense than such as was founded in rights "derived from plaintiff by contract. That is the "case before us, with the variance that plaintiff's "title is to a patent for an invention instead of a "patent for land."

He refers with approval, in the course of his opinion, to the case of *Wilson* v. *Sanford,* 10 How., 99, in which this Court, Chief Justice Taney writing the opinion held, that where a license had been granted to use a machine upon the payment of $1,400, $250 paid down and notes payable in nine, twelve, eighteen and twenty-four months for the remainder, the license being in writing and containing a provision that upon a failure to pay any of the installments, all rights under the license ceased and reverted to the patentee, who became reinvested in the same manner as if the license had never been made, was not a case within the patent law, on the ground that the dispute did not arise under any act of Congress, nor that the decision depended upon the construction of any law in relation to patents. He said:

"It arises out of the contract stated in the bill and there is no act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles."

In the case of the Excelsior Wooden Pipe Co. against Pacific Bridge Co., 185 U. S., 282, the court, in its opinion, delivered by Mr. Justice Brown, says:

"Now, it may be freely conceded that if the *licensee* had failed to observe any one of the three

conditions of the license, the licensor would have been obliged to resort to the State Courts either to recover the royalty or to procure the revocation of the license. Such suit would not involve any question under the patent law."

The case of Bement *v.* National Harrow Co., 186 U. S., 70, has been referred to as implying the sanction of this court of the principle contended for. It was pointed out, however, in the decision itself, as well as by the court on the argument in this case, and in the decision in the case of Cortelyou *v.* Johnson, recently handed down, that that case merely holds that conditions imposed by a *patentee* and assented to by his *licensee* are not prohibited by the anti-trust law.

As a matter of fact, the extent of the patent laws was not before the court in that case at all. The action was brought in the State Court of New York to recover penalties from a licensee who had failed to observe the license as to a restricted price. The Referee to whom the court sent the case for hearing, decided in favor of the plaintiff and overruled the defense that the license violated the federal anti-trust law. The Appellate Division of the Supreme Court, the court of first appeal, reversed the Referee's decision on the ground that the license agreement in question was the result of a combination of manufacturers of similar kinds. That that combination of manufacturers though owners of patents, was illegal and contrary to the federal law. The order of reversal, however, failed to state, as required by the peculiar practice of the State that the reversal was both upon the law and the facts, and this omission proved fatal to the case. Upon appeal to the Court of Appeals, that court treating the judg-

ment of the Appellate Division as a reversal on the law *only*, reversed the Appellate Division because the *referee* had not found that other and similar license agreements had been made by other manufacturers constituting a majority of the trade for the purpose of effecting an illegal combination. The question was then taken to this court on writ of certiorari and this court in its decision expressly held as before stated that ordinary condition imposed by the patentee and assented to by the licensee, did not offend against the anti-trust law, and it expressly refused, for the purpose of reversal of the judgment, to find that the majority of patentees had entered into a combination, or that the license in question was a result of such combination.

The English case, *The National Photo Paper Co., Ltd., against Edison-Bell Consolidated Phonograph Co.,* decided December 19th, 1907, the opinion which, as reprinted from the London Times, was furnished to this court as supplemental to Mr. Olin's brief, has absolutely no application to the question of rights under our patent laws. It proceeds upon the theory of equity principles solely, and nothing else. Neither does it stand for the proposition that by a mere notice title to an article of commerce is restricted.

In fact even in non-patented articles the English courts have refused to enforce notices similar to the one at bar.

In *Taddy & Co. vs. Sterius Co.,* 2 T. L. R. 102 Eng. Ch. D., tobacco was sold in boxes, accompanied by invoices, labels, &c., stating the terms of sale. The price was printed on the box, with the following notice:

"All of the above packet tobacco and cigarettes are sold by Taddy & Co. upon the express condition that retail dealers do not sell the packet tobacco or cigarettes below the prices set forth. Acceptance of the goods will be deemed a contract between the purchaser and Taddy & Co., that he will observe these stipulations."

There the Court said:

"Conditions of this kind did not run with the goods and could not be imposed upon them. Subsequent purchasers, therefore, did not take the goods subject to any conditions which the Court could enforce."

The Court also held on other grounds that the contract claimed to be created thereby was not one on which plaintiff could sue a third party.

That case was followed and approved in *McGruther v. Pitcher* (*1904*) 2 Chan. 306.

This Court in *The Majestic*, 166 U. S. 373, has also decided that mere notices not referred to in the body of a contract constitutes no contract.

See also

Garst v. Hall Lyon Co. 179 Mass. 588.

Point IV.

There can be in this case no question of contributory infringement. It was expressly stipulated in the stipulation of facts that the wholesale dealers from whom defendants bought were under no contract or agreement to either maintain prices, nor to sell only to those who would agree to main-

tain prices. The wholesalers are not charged either with breach of contract, or with infringement of the copyright.

Point V.

Articles not protected by patent or copyright and manufactured under secret process afford no analogy for the case at bar. Mr. Olin in Point V claims that the owner of a secret process has a right to impose certain limitations. This is not supported by the authorities, but even if it were supported, it has no application to the case at bar. It is well established, however, that the owners of secret process secure a peculiar protection from the Courts only in those cases where it is sought to prevent a disclosure of the secret by one who is in a confidential relation. The article itself is subject to all the rules and regulations attached to articles not manufactured under secret process.

John D. Parks & Sons vs. Hartman, 153 F. R. 24.

Point VI.

That the rules of the patent cases should not be applied to copyright cases is fully discussed in Point II of the main brief.

Point VII.

The claim that a copyright owner can control the "use" of a copyrighted book in the same way as a patentee is fully discussed in appellees brief in the Scribner cases (pages 33 *et seq.*).

Point VIII.

The Circuit Court found that the Bobbs-Merrill action was instituted for the purpose of enforcing the rules and regulations of the American Publishers' Association and the American Booksellers' Association. That these two associations constituted an unlawful combination and that the rules and regulations which they had established were also unlawful. Mr. Olin's intervention and his argument furnish corroborative evidence for these findings. The object aimed at by the notice in "The Castaway" is precisely the same as the avowed object of the Association of which The Bobbs-Merrill Co. is a member, that is, the control of the retail price. And though in the case at bar, the cause of action is not directly founded upon the rules and regulations of that Association, the inference is justifiable, if not inevitable, that the complainants in this action were selected or volunteered to establish in the courts the objects of the Association in behalf of all.

POINT IX.

It is respectfully submitted that the decree appealed from should be affirmed.

J. G. Carlisle,
Edmond E. Wise,
Of Counsel.

IN THE

Supreme Court of the United States

No. 179

THE BOBBS-MERRILL COMPANY,

Appellant,

vs.

ISIDOR STRAUS and NATHAN STRAUS, Composing the Firm Name and Style of R. H. MACY & CO.,

Appellees.

Motion for Leave To File Brief

Mr. STEPHEN H. OLIN,
For the Motion.

Mr. W. H. H. MILLER,
Of Counsel for Appellant.

Mr. J. G. CARLISLE,
Mr. EDMOND B. WISE,
Of Counsel for Appellees.

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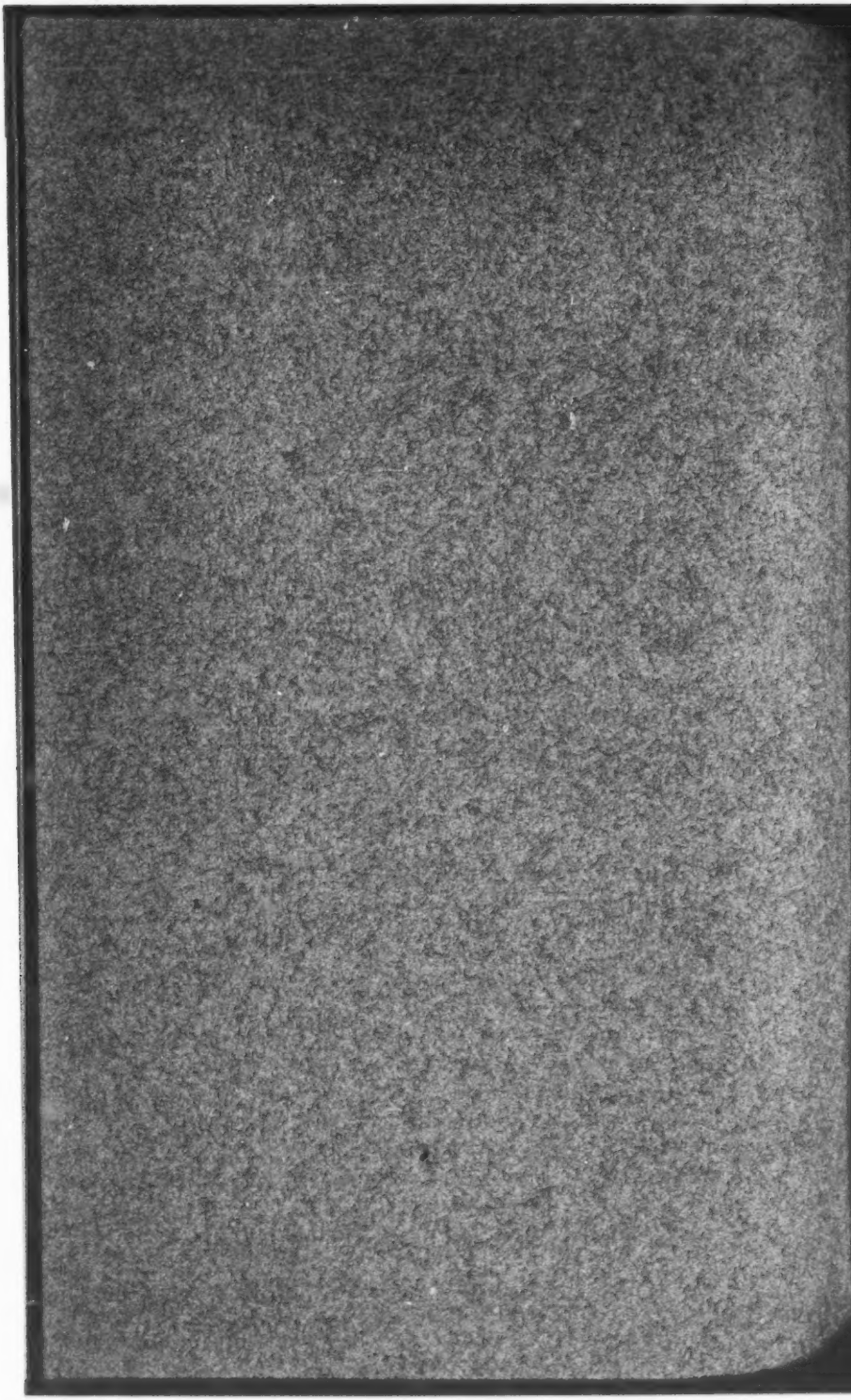

IN THE

Supreme Court of the United States.

THE BOBBS-MERRILL COMPANY,
Appellant,

vs.

ISIDOR STRAUS and NATHAN STRAUS, copartners doing business under the firm name of R. H. MACY & Co.,
Appellees.

No. 176.

MOTION FOR LEAVE TO FILE BRIEF.

Motion for leave to file brief on behalf of the plaintiffs in No. 204, Charles Scribner and Arthur H. Scribner, trading as Charles Scribner's Sons, against Isidor Straus and Nathan Straus, trading under the firm name of R. H. Macy & Company, and No. 205, Charles Scribner's Sons, Incorporated, against the same defendants.

The cases of "Scribner *v.* Straus" and of "Bobbs Merrill Company *v.* Straus" involve the same questions of copyright law.

The case of Scribner *v.* Straus was begun in the Circuit Court of the United States for the Southern District of New York on November 10, 1903. The answer was filed on February 23, 1904. Exceptions to the answer were sustained on April 28, 1904.

On July 14, 1904, the Bobbs-Merrill Company began an action against the defendant Straus in the Circuit Court for the Second Circuit.

The Bobbs-Merrill Company *v.* Straus and Scribner *v.* Straus came on for trial before District Judge Ray, and were decided on July 11, 1905.

Bobbs-Merrill Co. *v.* Straus, 139 Fed., 155.

Scribner *v.* Straus, 139 Fed., 193.

The cases were heard together at the Circuit Court of Appeals and reported together.

The Bobbs-Merrill Co. *v.* Straus, 147 Fed., 15.

Scribner *v.* Straus, 147 Fed., 28.

It would be a serious detriment to the appellants above named if the case of Bobbs-Merrill Co. *v.* Straus were decided before the appeal of these appellants can be heard. There is, however, no community of interest between the Bobbs-Merrill Company and the above named appellants which would permit these appellants to make any stipulation bringing this appeal within the provisions of Rule 26, Subdivision 8.

A motion to advance Nos. 204 and 205, to be heard with No. 176, has been denied by this Court.

From information received from the Clerk of the Court it seems probable that the March recess will intervene before Nos. 204 and 205 can be reached.

This motion is, therefore, respectfully made for leave to file a brief upon those questions of law common to No. 176 and Nos. 204 and 205.

Respectfully submitted,

STEPHEN H. OLIN,
Of Counsel for Charles Scribner's Sons.

SUPREME COURT, U. S.
FILED
MAR 10 1906
JAMES H. McKENNEY,
CLERK

IN THE

Supreme Court of the United States.

No. 176.

THE BOBBS-MERRILL COMPANY,
Appellant,

vs.

ISIDOR STRAUS AND NATHAN STRAUS, COPARTNERS DOING BUSINESS UNDER THE FIRM NAME OF R. H. MACY & CO.,
Appellees.

BRIEF FILED BY STEPHEN H. OLIN, ON BEHALF OF CHARLES SCRIBNER'S SONS.

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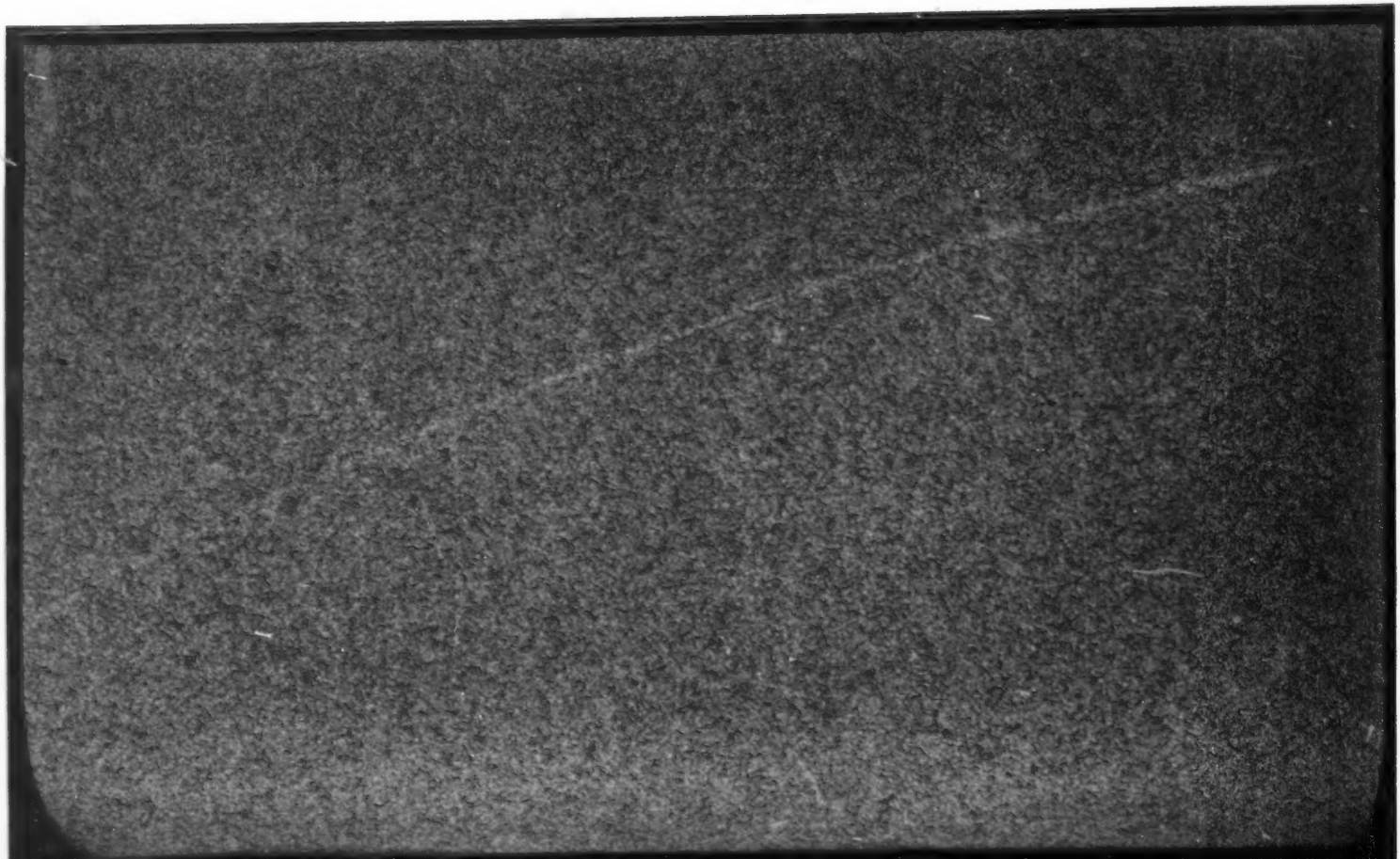

IN THE

Supreme Court of the United States.

THE BOBBS-MERRILL COMPANY, Appellant, AGAINST ISIDOR STRAUS and NATHAN STRAUS, copartners, doing business under the name of R. H. Macy & Company, Appellees.	No. 176.

Brief submitted on behalf of the plaintiff-appellants in (No. 204), Charles Scribner and Arthur H. Scribner, trading as Charles Scribner's Sons, appellants, against Isidor Straus and Nathan Straus, individually and as copartners, trading under the name of R. H. Macy & Company, and (No. 205), Charles Scribner's Sons, Incorporated, appellant, against Isidor Straus and Nathan Straus, individually and as copartners, trading under the name of R. H. Macy & Company.

The suit of Charles Scribner's Sons against Straus is distinguishable on the facts from Bobbs-

Merrill Company against Straus, in that the Scribners sold copyrighted books only by a restricted sale to wholesale dealers, who undertook to be bound by the restriction. The defendants purchased these copyrighted books from these wholesale dealers with knowledge of the restriction and in violation of it, and these facts bring the Scribner case within certain authorities relating to direct and indirect infringement of a monopoly, providing that the authorities in the patent cases apply in a copyright case. Leaving out of sight these distinctions, the Scribner case rests upon the same fundamental principle as the Bobbs-Merrill case; and we therefore ask leave to file this brief relating to the general rules of law so far as they are common to the Scribner cases and the Bobbs-Merrill case, taking pains not to intrude upon the questions peculiar to the case at bar.

POINT I.

The question considered with reference to business methods and economic law.

In deciding a question of statutory construction which affects very large business interests, the Court will probably wish in the absence of any controlling authority to consider the business transactions which would be affected by a decision, and will take into account those economic facts which are known to all men and of which therefore judicial notice may be taken, and also those particular facts appearing on the records of all of the cases now before the Court.

The fundamental principles on which these litigations rest are these:

> "The patent grants an exclusive right to use, to make and to sell. The patentee may grant, if he will, an unrestricted right to make and sell or use the device embodying his invention or may grant only a restricted right in either the field of making, using or selling. To the extent that he restricts either one of these separable rights, the article is not released from the domain of the patent and anyone who violates the restrictions imposed by the patentee, with notice, is an infringer."
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> *John D. Park & Sons Co.* v. *Hartmann*, 153 Fed., 24, 27.

> "To the extent that the sale is subject to any restriction upon the use or future sale the article has not been released from the monopoly, but is within its limits, and, as against all who have notice of the restriction, is subject to the control of whoever retains the monopoly."
>
> *Nat. Phonograph Co.* v. *Schlegel*, 128 Fed., 733, 735.

> "The exemption from the common law rule against monopoly and restraint of trade and the provisions of the federal Anti-trust Act of July 2, 1890, which has been extended to contracts affecting the sale and resale, the use or the price of articles made under a patent, or productions covered by a copyright." * * *
>
> *Park & Sons Co.* v. *Hartmann* (C. C. A.), 153 Fed., 24.

This case and the Scribner cases belong to an increasing class of litigations created by these developments of modern business:

FIRST.—The extension of the system of selling at retail at fixed prices.

SECONDLY.—The practice of manufacturers of advertising their wares so widely that the consumer everywhere depends rather upon the statements and reputation of the manufacturer than upon the retail merchant with whom the consumer deals.

THIRDLY.—The growth of the department store which sells at retail commodities of all sorts, most of them for profit, but some for advertising purposes or to destroy competition.

It is claimed by the learned counsel for Macy & Company that when a vendor has received the price which he charges on the sale, his interest in the goods sold ceases and the price charged upon subsequent sales does not affect him.

This is true only of certain articles or in certain transactions of a primitive character. For example: A dealer in an eastern bazaar has no fixed price and sells his wares for such prices as he can obtain in each case as the result of special bargaining. A more modern method is that of the ordinary tradesman on the Continent of Europe, who has fixed prices, but varies from them wherever he thinks it to his advantage. Merchants of a third class are typified by the dealers in the west end of London, who have fixed prices, from which they will not vary under any circumstances. A fourth step is illustrated in this country. There are dealers who by means of modern machinery can produce articles of standard quality and value by thousands, and who can by modern methods of advertisement bring these goods to the attention of purchasers throughout the country. They therefore endeavor to sell them upon the reputation of the manufacturer to retail customers throughout the land. They find it to their advantage that the retail price should be everywhere the same. This is

desirable for the same reasons which actuate the retail dealer selling over his own counter, and for the further reason that uniformity is necessary to protect the trade and the retail dealers who distribute the goods. It is not contrary to public policy that similar articles should be sold to all retail purchasers at the same price without rebate or concession. On the contrary, this is in accordance with the latest views of public policy applied by legislatures and courts to common carriers—that like value should be given to all for equal price publicly announced and without rebate or concession. Nor is the course of business by which the wholesale dealer fixes a uniform retail price for his wares in restraint of competition. A man who sells a collar at twenty-five cents in retail stores throughout the United States is everywhere exposed to the competition of all who can compete with him either in price or quality, and he is exposed to the competition of all wholesale dealers who can make better terms with jobbers or with retailers. Competition remains absolutely unchecked, *except that the manufacturer is not compelled to compete against himself.* He is not compelled to allow one dealer to sell a collar at twenty cents for which another dealer in the same town is charging twenty-five cents.

It is a familiar fact that trade is often so carried on—the manufacturer retaining the title to the goods and making the retail dealer merely an agent. This method is cumbersome, expensive and not suited to all merchandise; but if the manufacturer attempts to pursue a more natural and simple method and to sell his goods only to those who will agree to maintain the retail price of them, he finds his contract unenforceable on the ground that it is in restraint of trade and against public policy.

To the publisher, the importance of maintaining a fixed retail price, under modern conditions of

business, is greater than to any other manufacturer, on account of the peculiar nature of the merchandise in which he deals. A conspicuous change in the methods of business has been brought about by what is known as the department store. The competition of these institutions is everywhere successful in driving retail merchants out of business, and this comes, not only from the amount of capital employed, but from the very fact that it is a united and monopolistic effort against scattered opponents. If a department store, with twenty departments, is established in a neighborhood where twenty merchants are each engaged in some particular line of business, the department store can sell silks at a loss until the silk merchant is driven out of business; can sell linens at a loss until the linen merchant is driven out of business, and can so proceed carrying on one department at a loss and nineteen at a profit until every one of its competitors is driven out of business.

It is a familiar fact that the department store establishes its cheapness in the minds of its customers by advertising certain bargains where goods are offered at unquestionably low prices. No merchandise is so well suited to furnish "leaders" for this system of advertising as are recently published copyrighted books. They are of precisely uniform quality. They are portable and can be sent through the mails, and any dealer who can sell a copyrighted book at less than any of his competitors has given proof of his superiority over them, which it is impossible to gainsay, and he can therefore, for advertising purposes, afford to make such sales at less than a living profit or at an absolute loss.

If for example, a department store buys *Harpers Magazine* at wholesale for twenty-seven cents a copy and retails it at twenty-five cents, or offers a new and widely advertised novel at a few cents over or a few cents under the wholesale price, then

is established a standard of cheapness difficult to surpass and persuasive to purchasers of ribbons or laces.

A manufacturer is ordinarily supposed to sell his goods to dealers who expect to sell them at a profit. Here the peculiar situation is presented of a dealer who wishes to traffic in certain goods, not for the sake of making a profit, but for the sake of selling them lower than any one else can sell them, the advantage to him of the transaction being in advertising other goods which he desires to sell. This is an economic situation in former years absolutely unknown. Those venerable judges who built up the law of restraint of trade had in mind trade carried on for the sake of profit. The party who sought their protection alleged that he was not allowed to engage in trade, or that being in trade he was not allowed to receive a sufficient profit upon his transaction.

They had not in mind a dealer who wished to prove that he does business without profit—using for the purpose, not goods of his own production, but those for which some other merchant has established a wide market, uniform value and fixed price.

An entirely new situation is presented when Macy & Company say: We demand the right of dealing in the plaintiff's publications. We can now deal in them as freely and sell them as profitably as any dealer in the United States, but we want to be allowed to undersell all other dealers in these copyrighted books, so as to drive other dealers out of the market, and we wish to be allowed to do this, even if we sell at a loss, and this without reference to the wishes of the plaintiffs, nor to the contracts which they have made, nor to the damage which they sustain by our dealings in their books.

Is such activity "trade" which it is against public policy to restrain?

It is said by the learned counsel, that when the

publishers have obtained from Macy & Company the wholesale price of the books they sell, that they have no further interest in the transaction; but this is not so. A publisher may produce an edition of a book, of which he expects to sell ten thousand copies by co-operation of jobbers and retail dealers. Macy & Company buy fifty copies and advertise in all the papers that they are for sale at a price lower than the lowest price at which any other dealer can sell them. Is it not apparent that other dealers will not enter into such a competition, will not aid in disposing of the edition, and that it will remain unsold on the publisher's hands?

It appears from the records in the Scribner cases and in the Bobbs Merrill case, that prior to 1900, the book trade was conducted throughout the United States upon this system: The publisher fixed a retail price, known as a list price. But the retailer was in no way bound by it and gave to each purchaser such rebate or concession as he pleased. This method of doing business was found unsatisfactory by all engaged in it. The New York Publishers' Association was formed and established rules, of which the object was to insure that the retail price fixed by each publisher upon his copyrighted book should not be cut by the retail dealer. It is alleged by Macy & Company that 95% of the publishers joined in an attempt to enforce this rule. An association of wholesale and retail dealers in books throughout the United States, called the American Booksellers Association, was organized, of which the sole object was to aid in the enforcement of the aforesaid rule of the American Publishers Association. It is alleged by Macy & Company that 90% of all the booksellers in the United States joined this association.

Whether or not the methods taken by the publishers and the booksellers to prevent the cutting of retail prices were lawful is not now a question

before the Court. The agreement of the American Publishers' Association was held to be in part unlawful by the Court of Appeals of the State of New York, and was thereupon modified.

Subsequently the rule of the American Publishers' Association relating to the maintenance of retail prices was abrogated by the association.

The question now before the Court is: Can the publisher by restricted sales of his copyrighted books impose restrictions upon their future sale which shall be held valid and not within the law prohibiting restraint of trade? Each for himself, all publishers desire to do this. They have attempted to accomplish their object by combination and have failed. Whether that combination was lawful is not important, and the fact of the combination is important only as showing how universal is the desire in the trade for the establishment of a fixed retail price for each book.

It remains to be seen whether the owner of each copyright is permitted as to his own monopoly to accomplish a purp so beneficial. And in considering this questi , the Court may well bear in mind that the proposed restriction upon future sale is a regulation of the book trade, which is ardently desired by all publishers and by all the wholesale and retail dealers in books.

The Court will note that the purpose sought, namely, the fixing of a uniform retail price at which all retailers may purchase without any rebate or allowance, is in accordance with modern public policy as declared by the legislator and expounded by the Courts.

The Court will note that there is no intention whatever of preventing or lessening competition. The publisher will continue to sell freely and indiscriminately to all dealers and in unrestrained competition with every other publisher. His only purpose is that he shall not be forced to sell his copy-

righted book, in competition with himself, to be used in driving his own agents and vendees out of business, but shall be permitted to make in regard to it such terms and conditions as may give equal opportunities to all the trade.

The Court will note that there is no suggestion on the part of any one that the effect of the enforcement of this right would be to raise prices to the public. The plaintiffs seek to deal with their own copyrighted article in accordance with a method which is not against public policy and which is highly approved by every person who is engaged in the trade of bookselling for the ordinary motive of profit. The opposition comes solely from the owner of a department store, whose avowed purpose is, not the making of profit from the book trade, but the selling of books at a lower profit than any one else can compete with. The purpose of Macy & Company in selling books is to drive all other booksellers out of business, not so much to obtain a monopoly of the book trade as to establish a standard of cheapness which customers may believe is adhered to in sales of other articles whose quality cannot be exactly tested except by experts. The question before this Court, is whether the Bobbs-Merrill Company or the Scribners have such a monopoly of the copyrighted books published by them as will enable them to prevent this result and to insist that if Macy & Company deal in the Bobbs-Merrill Company or Scribners' copyrighted books they shall deal in them on precisely the same terms which are acquiesced in by every other bookseller in the United States and which in no way offend against public policy.

The publisher says to the defendants, "You may sell my books if you will sell them, as others do, for profit; but do not use them for driving my customers out of business nor for destroying my trade. *Sic utere ~~tuo~~ ut meum non laedas.*

Is that an unreasonable requirement?

POINT II.

The multiplication of copies by printing is not the sole right given by the copyright statutes.

> "That this (the multiplication of copies) is the sole right conferred by statute, as distinguished from such common-law rights as inhere in the ownership of other property, is evident from the language of the statutes, and from the decisions."
>
> *Bobbs-Merrill Company* v. *Straus*, *147 Fed., 19.*

It is respectfully submitted that this is erroneous, and that this error affects the whole decision of the learned Court below.

The language of the statute is substantially the same as the language of the patent statute. The "sole right to vend" a patented article has been by the courts declared to be a very different right from the common-law right of the owner of ordinary property to vend it. Hence it is not "evident from the language" of the copyright statute that the words "the sole liberty of vending" are meaningless, giving no rights to the owner of a copyright, which he would not have had by common law if these words had been omitted.

Whether or not the words sole "liberty of vending" are to be construed as in the patent act, it is in accordance with the first principle of statutory construction that these words should have some meaning and not be held to be meaningless.

> "A copyright, as the term imports, involves the right of publication and reproduction of works of art or literature.
>
> A copyright, as defined by Bouvier's Law Dictionary, Rawle's Edition, Volume 1, p. 436, is 'The exclusive privilege, secured according to certain legal forms, of printing or

otherwise multiplying, publishing and vending copies of certain literary or artistic productions.' And further, says the same author, 'the foundation of all rights of this description is the natural dominion which everyone has over his own ideas, the enjoyment of which, although they are embodied in visible forms or characters, he may, if he chooses, confine to himself or impart to others.' That is, the law recognizes the artistic or literary productions of intellect or genius, not only to the extent which is involved in dominion over and ownership of the thing created, but also the intangible estate in such property which arises from the privilege of publishing and selling to others copies of the thing produced."

* * * * * *

"Under this grant of authority, a series of statutes have been passed having for their object the protection of the property which the author has in his right to publish his production, the purpose of the statute being to protect this right in such manner that the author may have the benefit of this property for a limited term of years. These statutes should be given a fair and reasonable construction with a view to effecting this purpose." * * *

Am. Tobacco Co. v. *Werckmeister*, *207 U. S., 284*.

"The Copyright Acts substantially give the following additional rights: To copyright and thus secure the sole privilege of unlimited multiplication and sale of copies, to sell or transfer the unlimited right of reproduction, sale and publication, the limited right of serial publication, the right of publication in book form, the right of translation, the right of dramatization, or one or more of these rights in specific territory, and the right to secure a copyright either generally, or in one or more countries whose laws permit it, either in the name of the author or assignee. Also the right to the author to license the sale or other restricted

> enjoyment of some lesser right, without the power to copyright."
>
> SANBORN, *J.*, *Harper Bros.* v. *V. M. Donohue & Co.*, 144 *Fed.*, 491.

The primary meaning of the word "copyright" is, of course, the right to copy. The right to multiply copies after publication is solely a creation of the copyright statutes and is peculiar to those statutes. The authorities cited by Judge TOWNSEND (147 Fed., 19, 20) so hold, but they do not establish the entirely different proposition that the right to multiply copies is the sole right given by the statutes.

The right to sell copies is equally granted.

And it is to be presumed that a right conferred by a separate clause of the statute has some value and differs in some way from the right which, without statute, every man has in his own property.

Our contention is that the owner of a copyright has the sole right to vend the copyright article. If any one else vends the article he must have a license for so doing. If the article has come into his possession through an unrestricted sale he has an unlimited license to sell it, but if the sale was restricted, the restrictions fix the limits of the license to resell.

POINT III.

The right of the owner of an article in which he has a monopoly, to sell the article with a valid restriction upon its use or future sale, has been established in patent cases.

The law has been well stated by the Circuit Court of Appeals in the Seventh Circuit.

> *Victor Talking Machine Co.* vs. *The Fair*, 123 *Fed.*, 424; 61 *C. C. A.*, 58.

And we invite the attention of the Court to the opinion in this case.

So in *National Phonograph Co.* vs. *Schlegel*, the Court of Appeals in the Eighth Circuit, speaking by VAN DEVANTER, *J.*, say:

> "An unconditional or unrestricted sale by the patentee, or by a licensee authorized to make such sale, of an article embodying the patented invention or discovery, passes the article without the limits of the monopoly, and authorizes the buyer to use or sell it without restriction; but to the extent that the sale is subject to any restriction upon the use or future sale the article has not been released from the monopoly; but is within its limits, and, as against all who have notice of the restriction, is subject to the control of whoever retains the monopoly."
>
> *128 Fed., 733, 735.*

The rule has been stated in *Robinson on Patents*, in a section which has received judicial approval, as follows:

> "Not only may the patentee *impose conditions limiting the use of the patented article upon his grantees* and express licensees, but any person having the right to sell may at the time of sale restrict the use of his vendee within specific boundaries of time or place or method, *and these will be the measure of the implied license arising from the sale.*"
>
> *Robinson on Patents, Sec. 824.*

In *Edison Electric Light Co.* vs. *Peninsular Light, Power and H. Co.*, decided by the Circuit Court of Appeals in the Sixth Circuit, it was said:

> "To restrict the *right of a purchaser* of an apparatus embodying a patented invention to use it for the purposes for which it is peculiarly adapted, there must appear

some express or implied agreement by which the mode or time or place of use has been limited."

101 Fed., 836; 43 C. C. A., 479.

In *Edison Phonograph Co.* vs. *Kaufmann, 105 Fed., 960,* Judge ATCHISON said:

> "I cannot doubt that the complainants have the right *to sell their* patented phonographs *with the restrictions and upon the conditions* contained in the jobber's agreement, and that dealers buying the patented instrument from the jobber with notice of these conditions and restrictions are bound thereby."

To the same effect is *Edison Phonograph Co.* vs. *Pike, 116 Fed., 863.*

The vendors put upon the box containing the phonograph, the following:

> "Notice to dealers. This record is sold subject to restrictions as to the persons to whom and the prices at which it may be sold. Any violation of such restrictions makes the seller or user an infringer of the Edison patents."

There was here no reservation of title, only a notice of restriction upon the sale.

The "jobber's agreement" related to cutting prices, and this case is closely in point.

In *Dickerson* vs. *Matheson, 57 Fed., 524; 6 C. C. A., 466,* the Court of Appeals in the Second Circuit held that when goods purchased abroad with notice that they were not to be imported into America were sent here, the American patent was infringed. In that case the notice was contained in a bill of sale, and was in these words:

> "The importation into the U. S. of North America of our patented substantive cotton dye stuffs Congo, benzo purpurine, &c., is forbidden."
>
> *57 Fed., 526.*

In form this was a mere prohibition, less than a condition of sale. The title of the purchaser was absolute except so far as it was affected by notice of the prohibition.

So the Court of Appeals in the Eighth Circuit, in *Dickerson* vs. *Tinling*, 84 *Fed.*, 192, 195; 28 *C. C. A.*, 139, following *Dickerson* vs. *Matheson*, said:

> "If the corporations sold the patented article *subject to such restriction, the purchasers with notice of this limitation* whether immediate or remote *could acquire no better right than strangers to infringe upon the monopoly secured by the patent. That monopoly would still remain intact* and purchasers of the phenacetine which has been sold under the *restriction must be liable for its use and sale* in the United States *to the same extent as those who made it or bought it of strangers within their limits.*"

In this case the packages of phenacetine bore a notice prohibiting the importation of the article into the United States.

And see

> *N. J. Patent Co.* vs. *Schaefer*, 144 *Fed.*, 437.

In the opinion of the Circuit Court of Appeals Judge TOWNSEND suggests that the notice printed by Chas. Scribner's Sons Co. upon their billheads and also the notice inserted by the Bobbs-Merrill Company in their books was defective because it did not expressly reserve right in the copyright, but it is apparent that no such rule has been established in the patent cases.

The retention by the patentee of a part of his monopoly does not depend upon the mere form of the contract by which he parts with the possession of the patented article. If that contract be an unrestricted sale, then, indeed, the article sold passes out of the monopoly, but there may be a conditional

sale or a restricted sale or a license or a contract of agency or the like, and in all these cases, without regard to the form of the transfer, the patentee may invoke the patent law if the conditions or restrictions be disregarded (*Nat. Phonograph Co.* vs. *Schlegel, supra*).

See also

Heaton Peninsular Button Fastener Co. vs. *Eureka Specialty Co.*, 25 C. C. A., 267; 77 Fed., 288.

Bement vs. *National Harrow Co.*, 186 U. S., 70.

Cortelyou vs. *Lowe*, 111 Fed., 1005, 2d Circ.; 49 C. C. A., 671.

John D. Park's Sons Co. vs. *Hartman* (C. C. A.), 153 Fed., 24.

In England, the same rule is applied in patent cases:

Badische Anilin & Soda Fabrik v. *Isler*, 57 L. J. R. Ch., 411; (1906) 1 Ch. 605; 94 L. T., 367; affd., 75 L. J. Ch., 749; (1906) 2 Ch., 443.

Citing

The Incandescent Gaslight Co., Ld., v. *Brogden*, 16 Rep. Pat. Cases, 179.

And, also in Equity,

National Phonograph Co., Limited, v. *Edison-Bell Cons. Phonograph Co., Limited*, Court of Appeal, The Times, Dec. 19, 1907.

It will be noticed that both from the language of the opinions and from the facts of the different cases cited no particular form of restriction is necessary to accomplish the purpose. The question does not turn upon the particular words used by

the patentee to create a restriction. The line is not drawn between sales and agencies or sales and mere licenses, but between *unrestricted* sales on the one side and, on the other, all contracts of whatever kind which limit or restrict the ordinary power of the vendee to do what he will with his own. This is true even when the restriction is imposed by a mere notice and there is no proof of an agreement by the first purchaser from the patentee.

In the cases above cited a mere notice that a particular use of the patented article sold is prohibited has been given the same effect by the Courts as the most elaborate agreement affixed to the patented article and intended to retain or to revest in the patentee the title to it.

Agreements, written or oral, express or implied, "conditions," "limitations," "restrictions," "prohibitions," are all recognized and given like effect as reservations of a portion of the monopoly, although the article, which is the subject of it, is transferred to a purchaser.

It is said that the rules established in these cases have not been declared by this Court, and that the authorities are, therefore, not controlling.

So great a concurrence, however, both in decision and reasoning, by so many American and English courts and judges, may well be persuasive.

The cases at bar are cases which arise under the copyright law. Whether or not the plaintiffs have any rights against the defendant, based upon the contracts under which the books were sold by them, the relief here sought rests upon the copyright statute and not upon contract.

Victor Talking Machine vs. *The Fair*, *123 Fed.*, *425*, and cases cited, p. *426*.

POINT IV.

There are certain authorities relating to contributory infringement which apply directly to the Scribner cases, but which have an indirect bearing upon the Bobbs-Merrill cases.

6th Circ., Heaton Peninsular Button Fastener Co. vs. Eureka Specialty Co., 77 Fed., 288; 25 C. C. A., 267.

Cortelyou vs. Lowe, 111 Fed., 1005; 49 C. C. A., 671.

Tubular Rivet & Stud Co. vs. O'Brien, 93 Fed., 209.

Thomson-Houston El. Co. vs. Kelsey El. Railway Specialty Co., 75 Fed., 1005; 22 C. C. A., 1.

Brodrick Copygraph Co. vs. Mayhew, 131 Fed., 92.

National Phonograph Company, Ld., v. Edison-Bell Cons. Phonograph Co., Ct. of App.: The Times, Dec. 19, 1907.

Contributory infringement is "the intentional aiding of one person by another in the unlawful making or selling or using of the patented invention."

El. R. Specialty Co. vs. Kelsey El. Spec. Co., 72 Fed., 1016.

This doctrine applies in the law of copyright.

Harper vs. Shoppell, 26 Fed., 521.

POINT V.

In selling articles not protected by patent or copyright, but manufactured by secret process, the vendor may impose limitations upon the use or future sale of the articles which may be enforced in equity.

In *Elliman* vs. *Carrington* (1901), *2 Ch., 275; 84 L. T. (N. S.), 858*, Mr. Justice Kekewich said:

> "Carrington & Son are minded to buy Elliman's Embrocation with a view to selling it again, that is to say, to buy wholesale in order to sell to others retail, and Elliman, Sons & Co. make a bargain with them that they shall not sell it below certain prices—that part of the bargain has not been broken and, that when they sell to others they will procure from those others an agreement that they will not sell it below certain prices. That part of the bargain has been broken.
>
> Why should not Elliman, Sons & Co. be at liberty to fix the prices in that way? Nobody has argued, and it could not possibly be argued that they are not at liberty to fix the price on the first sale to Carrington & Son. Why should they not be at liberty to make the further bargain with Carrington & Son that they shall not sell it below a certain price? It is said that the contract is in restraint of trade. In one sense it is, but is just as much and no more in restraint of trade for Elliman, Sons & Co. to say that they will not sell at all. It seems to me, to say the least, that what is restraint of trade as regards Carrington & Son, is really the liberty of trade as regards Elliman, Sons & Co. * * * It is merely a question of whether a man is entitled when he is selling his own goods, to make a bargain as to the use to be made of them by the purchaser. * * * On the question, therefore, as to

> the validity of the contract I am entirely against the defendants."

This case was followed in *Board of Trade* vs. *Christie G. & S. Co., 198 U. S., 252.*

In *Garst vs. Harris*, 177 Mass., 72, Mr. Justice HOLMES, then Chief Justice, said:

> "This is an action of contract to recover $21 as liquidated damages for breach of an agreement not to sell Phenyo-Caffein below a stipulated price. Phenyo-Caffein was a proprietary medicine purchased by the defendant of the plaintiff. At the time of the sale and as a part of it a written statement of terms, containing this agreement, was read to the defendant and delivered to him. * * * The rest of the defense needs but a few words.
>
> It said that the contract was unlawful, as in restraint of trade. Some limits were set to the inherent doctrine on this subject by the recent case of *Electric Co.* vs. *Hawkes, 171 Mass., 101*, as they had been in England before.
>
> When, as here, there is a secret composition which the defendant presumably would have no chance to sell at a profit at all, but for the plaintiff's permission, a limit to the license, in the form of a restriction of the price at which he may sell, is proper enough" (citing cases).

See also

Walsh vs. *Dwight, 40 App. Div., 513.*
Park & Sons Co. vs. *National Druggists Association, 175 N. Y., 1, 9, 10, 15, 17.*
Fowle vs. *Park, 131 U. S., 88, 97.*

In this case Mr. Chief Justice FULLER said:

> "If the defendants violated the provisions of these contracts by selling the article within the territory which it was covenanted

> complainants should occupy exclusively or by selling to others for sale there, or by promoting such sales we are aware of no reason for the refusal of relief, unless it may be, as is contended, that the contracts were not enforceable on the ground of public policy. * * *
>
> "Relating, as these contracts did, to a compound involving a secret in its preparation, based as they were upon a valuable consideration, and limited as to the space within which, although unlimited as to the time for which the restraint was to operate, we are unable to perceive how they could be regarded as so unreasonable as to justify the Court in refusing to enforce them."

See also

Board of Trade vs. *Christie Grain & Stock Co.*, *198 U. S., 236, 250, 252.*

Whitwell vs. *Tobacco Co.*, *8th Circuit, 125 Fed., 454, 461, 462; 60 C. C. A., 290.*

In re Park, *138 Fed., 421.*

The distinctions between these cases and those under the patent and copyright statutes are pointed out in

John D. Park & Sons Co. v. *Hartman*, *153 Fed., 24.*

POINT VI.

The rules above mentioned established as to patented articles apply also to cases of copyright.

If there be no publication, the owner of a manuscript retains his common-law rights no matter

what communication of the manuscript is made to others.

If there be publication, the owner of a copyright may retain any portion of the statutory monopoly by restrictions upon the communication to others of the copyrighted article.

If the article be once effectually published so as to comply with the requirement of the statute in that regard, the owner of the copyright may thereafter make other copies and deal with them as he pleases, destroying them, distributing them, selling or leasing them upon any terms that please him. These terms the Courts will enforce:

Patents and copyrights are protected by the same constitutional provisions which empower Congress

> "To promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors, the Exclusive Right to their respective Writings and Discoveries," Constitution Art. 7, Sec. 8.
>
> "Congress has in Title LX of the Revised Statutes, protected these allied rights by similar statutes, which, in regard to the point now at issue are expressed in almost the same words.
>
> A patent gives the "exclusive right to make, use and vend the invention."
>
> *Sec. 4884.*
>
> A copyright gives the "sole liberty of printing, * * * publishing * * * and vending" the copyrighted article.
>
> *Sec. 4952.*

The monopoly of making and vending the patented article and the monopoly of printing and vending the copyrighted article are given in equivalent language, and by ordinary rules of interpretation should be equivalent.

It is only in the "field of use" that the monopolies differ. The patentee has the

> "exclusive right to * * * use * * * the invention."

The copyright owner has the

> "sole liberty of * * * publishing, completing, copying, executing, finishing * * * the book, map, chart, &c., and, in the case of dramatic composition, of publicly performing or representing it or causing it to be performed or represented by others; and authors or their assigns shall have exclusive right to dramatize and translate any of their books for which copyright shall have been obtained under the laws of the United States."
>
> *R. S., Sec. 4952.*

It has been said that Section 4964 defines an infringement and thus limits the rights given by Section 4952.

Section 4964 does not define infringement of copyright. It gives common law remedies of forfeiture and damages for certain specified infringements of copyright. It has been held that these remedies can not be given by courts of equity.

Stephens v. *Gladding, 17 How., 447.*

In a word, the scheme of the statute is this: Section 4952 gives the monopoly. Sections 4964, 4965 and 4966 provide common law remedies for certain specified infringements. Section 4970 gives to courts of equity power "to prevent the violation of any right secured by laws respecting copyrights according to the course and principles of courts of equity."

Courts of equity get no jurisdiction under Sections 4964, 4965, 4966, but they do enforce rights under Section 4952. Often an act which constitutes infringement under Section 4952 is also an infringement under 4964, 4965 or 4966. In that case courts of law and equity have concurrent jurisdiction, but the powers of courts of equity are neither given nor limited by Sections 4964, 4965 and 4966.

The differences relied upon to distinguish the patent cases from the copyright cases are, first, those which, it is alleged, provide a user in the patentee, which is lacking to the owner of copyright, and, secondly, the direct power granted to the patentee to subdivide his field of monopoly in whatever way he sees fit, which power, it is alleged, is not given to the owner of a copyright.

Commencing with the second objection, it may be said that the power of the owner of a copyright to subdivide his field of monopoly, so far as it is involved in the cases before the Court, is abundantly established. It is true that the copyright statute does not *expressly* provide for subdividing the field of monopoly, but the right to subdivide it in every way except by assigning the whole copyright for a particular territory, has been repeatedly recognized by the courts in cases cited in Point VII, *infra*.

As to the question of user, it may be remarked, first, that, even if it were true that no right of user is conferred upon the owner of a copyright, this fact would be immaterial in the cases at bar, since they relate, not to the "field of use," but to the "field of sale." The patentee has the exclusive "right to make, use and vend the invention." If the owner of the copyright had only the sole liberty of printing and vending, it would follow that so far as his monopoly corresponded with that of the patent his rights should be equivalent.

But it is not true that the copyright confers no monopoly in the field of use. In what way can a man use a book, which he owns?

He can read it and keep it in his library; he can bind and rebind it; he can import it, translate it or dramatize it; if it contain a dramatic or musical composition, he may publicly perform or represent it, and he may use it in many ways in the preparation of other works. If the book be unprotected by copyright all these uses are wholly unrestricted,

but if the book be a copyrighted book then the owner of it cannot, without the consent of the owner of the copyright, translate or dramatize it or publicly perform or represent it, and the other right to deal with it are limited by certain rules as to "fair" and "unfair use."

Obviously the copyright has created a monopoly relating to a portion of the "field of use," and the purchaser of the book is not free to make any use of it which he pleases.

It is said that the use of a book differs from the use of a patented article, and an attempt has been made to show that the word "use" as employed by judges in regard to patents has a different meaning from the same word employed in copyright law. We submit that no such distinction can be made. Doubtless the uses of a book differ from the uses of a patented machine, but there are also differences in the use of different patented articles and of different copyrighted articles. The uses of a patent tool, a patented improvement of a patented machine and a patent process cannot readily be described by the same formula. Nor can the uses of a directory, a sheet of music, a novel and a picture. Yet each of these has its own use and the courts have used the word "use" with reference to all of them.

The patent law gives a complete monopoly and the copyright law a partial monopoly of the "field of use."

What is the reason for this distinction? It is because copyright is given only on condition that publication of the copyrighted book be made. Publication gives the public a right to make certain uses of the book, and the monopoly in the "field of use" conferred by the copyright can at most be what is left after the rights of the public gained by this publication are protected.

A patentee has an absolute monopoly in the field

of use. So has the owner of an unpublished manuscript. Either may communicate the subject of the monopoly under any restrictions whatever and no rights inconsistent with such restrictions are surrendered.

But the owner of a copyright has a limited monopoly in the "field of use" and the

> "restrictions imposed after the publication cannot affect the public rights acquired by reason of the fact of publication."
>
> *Werckmeister* v. *Am. Lith. Co.*, *134 Fed.*, *321.*

Prior to publication

> "a person entitled to copyright may restrict the use or enjoyment of such subject to definitely selected individuals, or a limited ascertained class, or he may expressly or by implication confine the enjoyment of such subject to some occasion or definite purpose. A publication under such restrictions is a limited publication and no rights inconsistent with or adverse to such restrictions are surrendered.
>
> Restrictions imposed upon the use prior to publication protect the copyright. Such restrictions imposed after the publication cannot affect the public rights acquired by reason of the fact of publication. * * * The same distinctions are observed and the same rules applied in the cases where statutory copyright has been obtained."
>
> *Werckmeister* v. *Am. Lith. Co.*, *134 Fed.*, *321.*

The restrictions imposed after publication cannot affect the public rights acquired by reason of the fact of publication. Otherwise "the same distinctions are observed and the same rules applied" to the limited statutory monopoly of copyright as to the unlimited common law monopoly in the unpublished manuscript.

The question arises, therefore, what are the public rights which are acquired by reason of the fact of publication of a book?

It has been said, and although doubtful, it may here be assumed that the fact of publication requires that copies of the book shall be offered freely for sale to the public. (*Macgillivray*, 260.) The purchase of one of these copies gives to the purchaser the unrestricted ownership of that copy with all the incidents of ownership—the unlimited right to read it, to sell it, to bind and rebind it (*Kipling* vs. *Putnam*, 120 *Fed.*, 634), and also a right to make use of its contents for purposes of criticism, quotation and the preparation of other books; this latter right not being unlimited, but restricted and defined by the decisions of the Courts concerning the "fair use" of copyrighted books. No one has claimed that the fact of publication gives other rights to the public than the right to acquire and own copies of the book and the right to make "fair use" of its contents.

For instance, the public has no right to demand that every copy shall be sold freely to the public, so long as some copies are so sold, or to fix the price at which copies of the book shall be sold, or to demand single copies at wholesale rates or to prohibit the owner of the copyright from selling copies to jobbers or others at wholesale rates upon special and beneficial conditions as to use and future sale.

It follows, therefore, that the restrictions imposed upon jobbers in the cases at bar are not restrictions which affect the public rights acquired by reason of the fact of publication, and, this being so, the plaintiffs may proceed to enforce the conditions annexed to their sales to the jobbers since the plaintiffs have surrendered no rights inconsistent with these conditions. It is shown that the defendants in the Bobbs Merrill case could freely buy and in the Scribner cases have freely bought

the books mentioned in the complaint in such quantities as they pleased at the same retail prices at which the books are offered to the public. The copies so bought passed out of the plaintiffs' monopoly and became the absolute and unrestricted property of the defendants. No one disputes their right to deal with these copies. It is apparent, therefore, that all public rights in the books have been provided for and the present controversy relates to rights which the plaintiffs have reserved and which, under the rules laid down in *Werckmeister* vs. *American Lithographic Co., supra,* the plaintiffs could lawfully reserve and enforce.

POINT VII.

The copyright cases show that in the three fields of making, use and sale, the law closely agrees with the law of patents.

The language of Judge BAKER in *Victor Talking Machine* vs. *The Fair* applies to a case of copyright.

"By its terms the grant covers three separate or separable fields. The owner of (copyright) may agree with one that he will not exclude him from making, with another from using and with yet another from selling" his copyrighted books.

Drone on Copyright, 334.
Macgillivray on Copyright, 274.

(*a*) "*The Field of Making.*"

The monopoly of this field is granted in patent law as an "exclusive right to make" * * *

"the invention or discovery" (*U. S. R. S., Sec. 4884*). In copyright law it is

> "the sole liberty of printing, reprinting, publishing, completing" * * * "the book, map, chart, dramatic or musical comtion, engraving, cut, print," &c.
>
> *R. S., Sec. 4952.*

The owner of the copyright may agree with different people to print different editions of his book. He may publish it simultaneously or successively, in newspapers in different parts of the country, in magazines in serial form, in book form, in cheap and dear editions. His licenses to print may be given to different licensees and divided as to time or as to place.

> *Harper & Bros.* v. *M. A. Donohue & Co., 144 Fed., 491, 492.*
>
> *Drone, 334, 341, 343, 363.*
>
> *Macgillivray, 274.*
>
> *Black* vs. *N. G. Allen Co., 42 Fed., 618, 621.*

In the language of Judge BAKER in *Victor Talking Machine* vs. *The Fair*, the control of this field by the owner of the copyright is complete. He may subdivide it as he pleases and offer to sell or lease in the most fanciful parcels on the harshest terms. * * * If purchasers or tenants do come the courts will enforce the terms of the sale or lease. And how could it be otherwise, owning the whole he owns every part.

(*b*) *"The Field of Use."*

In patent law the monopoly is the "exclusive right to * * * use * * * the invention" (*R. S., Sec. 4884*).

In copyright law, it is

> "the sole liberty of * * * publishing, completing, copying, executing, finishing

> * * * the book, map, chart, &c., and in the case of dramatic composition, of publicly performing or representing it or causing it to be performed or represented by others; and authors or their assigns shall have exclusive right to dramatize and translate any of their books for which copyright shall have been obtained under the laws of the United States."
>
> *R. S., Sec. 4952.*

Most copyright litigations relate to the field of use.

> "In the law of copyright, piracy is the use of literary property in violation of the legal rights of the owner. The meaning of infringement is the same."
>
> *Drone, 383.*

Certain uses of the copyrighted book by the public are held to be lawful. All other use is within the exclusive control of the owner of the copyright.

The line between "fair" and "unfair" use—the use permitted by the act of publication and the use reserved in spite of publication has been drawn in many cases in connection with different subjects, such as Criticism, Quotation, History, Biography, Abridgments, Translation, Dramatization, Treatises, Directories, Dictionaries, Catalogues.

Drone, 387-399, §33, §67.

The cases show that, leaving out of sight what is known as "fair use," all the rest of the "field of use" belongs absolutely to the owner of the copyright. He may divide it as he pleases, and license anyone to enter it. Such license is always a defense (Drone, 499). When the field of use is invaded without license, the copyright law will prevent or punish the trespass.

Copyright law in this respect closely agrees with

the patent law. "The same rule should be applied to a copyright as to a patent for a machine."

McLEAN, *J.*, *Story* vs. *Holcombe*, *4 McLean*, *306*.

The methods of dividing the field of use are familiar. Sometimes playright and copyright are separated (Drone, 62). Sometimes the right to use a dramatic composition is assigned to different people in different places for different periods, and this either by license or by partial assignments (Drone, 623). So, it is a familiar fact that the right to translate a book may be divided among different translators, each to use a designated language, and that licenses may be given to people to enter the field of use of copyright books for the purpose of making other treatises or of criticism or of publication in magazines, licenses being given to use certain passages or certain illustrations for specified purposes.

Whenever anyone enters upon a portion of the field of use which has not been thrown open to him he is a trespasser, who can be prosecuted under the law of copyright. Numerous authorities illustrate these propositions.

Macgillivray on Copyright, *281*, *282*;
Callaghan vs. *Meyers*, *128 U. S.*, *617*;
West Pub. Co. vs. *Lawyers' Co-Op. Pub. Co.*, *79 Fed.*, *756*; *25 C. C. A.*, *648*;
Reed vs. *Holliday*, *19 Fed.*, *325*;
List Pub. Co. vs. *Keller*, *30 Fed.*, *772*;
Gilmore vs. *Anderson*, *38 Fed.*, *846*;
Harper & Bro. vs. *Donohue*, *144 Fed.*, *491*, *492*;
West Pub. Co. vs. *Lawyers' Co-Op. Pub. Co.*, *64 Fed.*, *360*;
Falk vs. *Brett Lith. Co.*, *48 Fed.*, *678*;

Social Reg. Assn. vs. *Murphy, 128 Fed., 116;*
Enc. Brit. Co. vs. *Am. Newspaper Assn., 130 Fed., 460;*
Harper vs. *Ranous, 67 Fed., 904;*
Guggenheim vs. *Leng & Co., Q. B. Div., 1896, 12 T. L. R., 491;*
Roberts vs. *Myers, 13 Monthly Law Rep., 396, 401;*
Nicholas vs. *Parker, 17 T. L. R., 482;*
Daly vs. *Palmer, 6 Blatchf., 256;*
Daly vs. *Webster, 56 Fed., 483;*
Note to Press Pub. Co. vs. *Monroe, 51 L. R. A., 353;*
Dr. Miles Med. Co. vs. *Jayne Drug Co., 149 Fed., 888;*
Rubber Tire Wheel Co. vs. *Milwaukee Rubber Works Co., 142 Fed., 531, 536.*

These cases show that the owner of a copyright may farm out such a part of the field of use as he pleases, and retain the balance, and whoever without permission enters the reserved portion is an infringer.

(c) *"The Field of Sale."*

In patents "the exclusive right to vend."

In copyrights "the sole liberty of * * * vending."

The owner of the copyright may make a valid contract as to the selling price of the copyrighted article;

Drone, 365;

and such an agreement is binding upon assignees of his rights who take with notice.

Murphy vs. *Christian Press Assn., 38 App. Div., 426.*

In *Clemens* vs. *Estes, 22 Fed., 899,* Clemens, by his general agents, sold books to canvassing agents who bound themselves by contract to sell only to subscribers and not to the trade, and for the full retail price.

The defendants had no knowledge of the contract between the plaintiff, or his publishers, and their canvassing agents. An injunction was denied by Judge COLT on the ground that the defendants were ignorant of the contract between the plaintiff and his agents, and because there was no evidence going to show that the defendants tried to induce the agents to sell the books or to break any contract.

Had the proof in these particulars been like that in the Scribner case, the learned judge would apparently have granted the injunction.

The position of the jobbers in that case closely resembles that of the canvassers in *Clemens* vs. *Estes.*

Mutatis mutandis the remarks of Judge CULLEN in *Murphy* vs. *Christian Press Assn. Pub. Co.* (*38 App. Div., 429*) apply:

> "The agreement on the part of the defendant's predecessor in title, though technically a personal one, related to the use of the property, the copyrights and the plates, and obligated all who might acquire that property with notice of the agreement. This is the settled doctrine of the Court of Appeals when the agreement relates to real estate (*Hodge* vs. *Sloan, 107 N. Y., 244; Lewis* vs. *Gollner, 129 id., 227*). We can see no reason why the same rules should not apply to personal property, nor are we wanting in authority to sustain the proposition (*N. Y. Bank Note Co.* vs. *Hamilton Bank Note Co., 83 Hun, 593; 28 App. Div., 411; Littlefield* vs. *Perry, 88 U. S., 205*)."

It is to be noted that the agreement sustained in *Murphy* vs. *Christian Press Publishing Co.* related

to the cutting of retail and wholesale price and the case is much in point.

Strong support of our contention is found in the history of the law as to the rights of translation and dramatization. Formerly these rights were not absolute but permissive. The owner of copyright *might reserve* these rights. They were lost by unrestricted sale of the copyrighted books, *but a sale restricted by notice of claim* preserved the right of translation and dramatization. Why should such a sale not equally preserve a portion of the privilege of vending?

Drone, 445, 449.

It was said by Judge CLIFFORD in *Parton* vs. *Prang* (*3 Cliff., 537*):

> "Personal property is transferable by sale and delivery, and there is no distinction in that respect independent of statute, between literary property and property of any other description (*Palmer* vs. *De Witt, 47 N. Y., 532*). * * * Sales may be absolute or conditional, and they may be with or without qualifications, limitations and restrictions, and the rules of law applicable in such cases to other personal property must be applied in determining the real character of a sale of literary property."

And see

Littlefield vs. *Perry, 21 Wall., 205;*
Hudson vs. *Patten, 1 Root (Conn.), 133;*
Black vs. *H. G. Allen Co., 56 Fed., 764, 768;*
Aronson vs. *Baker, 43 N. J. Eq., 369;*
Cooper vs. *Stephens (1895), 1 Ch., 567;*

and as to contributory infringement,

Harper vs. *Shoppell, 26 Fed., 520.*
Authors and Newspapers Ass'n v. *O'Gorman Co., 147 Fed., 616.*

As to the matter now under consideration, namely, the rights of the purchaser of copies sold by the publisher, the Court of Appeals in the Seventh Circuit said:

> "The question (of rebinding a copyright book) is analogous to the repair of a patented machine which has been sold by the patentee."
>
> *Doan* vs. *Am. Book Co., 105 Fed., 776.*

So, as to the very contract and rules involved in the Scribner case, the New York Court of Appeals has held in a litigation between the parties before the Court and others. After referring to *Bement* vs. *National Harrow Co.* (*186 U. S., 70*), cited above, Chief Judge PARKER, speaking for the Court, said:

> "That reasoning is employed as to patent rights. It is equally applicable to copyrights, the protection of which was perhaps the leading object of the association and agreement attacked in this action."
>
> *Straus* vs. *Am. Pub. Assn., 177 N. Y., 447.*
>
> *Opinion of* GRAY, *J., p. 489.*

Why should a manufacturer of phonographs, benzo-purpurine, phenacetine, neostyles or button fasteners be allowed to use all the channels of trade for his merchandise, still keeping reserved portions of his monopoly in regard to these articles under the potent protection of the court, while a publisher is told that the moment he parts with the legal title to a book, no matter with what restrictions or upon what conditions, it has passed forever out of the protection of the copyright statute?

It is absurd to say that the monopoly of vending a copyrighted book is gone when the book passes into the hands of a jobber, no matter with what restrictions, while the monopoly of vending a pat-

ented book may be exercised through all the instrumentalities of modern trade.

There is no reason for making a copyright a retail monopoly protecting the owner only when he sells directly to the consumer, while the patent is also a wholesale monopoly available through all the channels by which alone trade can be profitably conducted.

See also

Park & Sons Co. v. *National Wholesale Druggists' Association, 175 N. Y., 1.*

This case, with *Straus* v. *American Publishers' Association, 177 N. Y., 473,* are discussed in *John D. Park & Sons* v. *Hartmann, 153 Fed., 24, 35, 36.* In this case, Judge LURTON, speaking for the Circuit Court of Appeals, says:

> "There are such wide differences between the right of multiplying and vending copies of a production protected by the copyright statute and the rights secured to an inventor under the patent statutes that the cases which relate to the one statute are not altogether controlling as to the other. *See Bobbs-Merrill Co.* v. *Straus* (C. C. A.), *147 Fed., 15, 23.*
>
> *Nevertheless the statutory right to exclusively publish and vend copies of a copyrighted production would seem to take direct contracts between the publisher and his vendees in respect to the price at which subsequent sales shall be made outside of the rule as to restraints of trade which might otherwise apply. Murphy* v. *Christian Press Ass'n, 38 App. Div., 426.*"

It is respectfully submitted that the italicized words are a disapproval of the rule in the *Bobbs-Merrill* case.

> "The exemption from the common law rule against monopoly and restraint of

> trade, and the provisions of the federal Anti-trust Act of July 2, 1890, which has been extended to contracts affecting the sale and resale, the use or the price of articles made under a patent, *or productions covered by a copyright*, does not extend also to articles made under a secret process," etc.
>
> *Park & Sons Co.* v. *Hartmann* (*C. C. A.*), *153 Fed., 24.*

It may be said that the remarks about copyright were not necessary to the decision of this case. At least, however, these remarks were made by a court having in mind the modern doctrines as to the "field of sale," and the modern economic conditions which, as was shown in Point I, *supra*, present entirely new questions of public policy for adjudication.

In this respect the statements here cited differ from the remarks in *Bill Publishing Co.* v. *Smythe* and *Harrison* vs. *Maynard, Merrill & Co.*, referred to in Point VIII, *infra*, which were *obiter*, and were made by judges who had no occasion to consider the arguments concerning monopoly in the field of sale which in late years have received the assent of so many courts.

Cooper vs. *Stephens* (*supra*) has been approved by the Court of Appeal in

> *Marshall & Co., Ltd.*, vs. *A. H. Bull, Ltd., 85 Law Times Reports, 77, 82.*

In that case plaintiffs published a book with twelve designs for making furs and garments. E. and W. obtained permission to use these designs and bought the blocks or stereos from the plaintiffs. P. & Co. printed a catalogue for E. and W. containing the designs and bought the stereos from them without any conditions or restrictions. P. & Co. used the stereos to publish a catalogue for B. & Co., and the plaintiffs obtained an injunc-

tion against P. & Co. The judgment was affirmed. Lord Justice ROMER said:

> "The sale of the stereos in themselves to the person from whom the defendant obtained them, with liberty to these persons to print and publish for a particular purpose, would clearly not deprive the plaintiffs of their original copyright in the work as against the world, nor could the defendants as purchasers of the stereos from the original purchasers from the plaintiffs get any better right to print and publish copies from these stereos than the persons from whom they bought them. The argument that the stereos in themselves conveyed a right to the defendants, or that by reason of the nature of these stereos the plaintiffs are in any way estopped as against the defendants from insisting on their copyright, appears to me unfounded. You cannot gather, as it appears to me, from the fact of the sale of the stereos in this case any representation that the holders of the stereos for the time being should have the right of printing and publishing copies from those stereos so as to be able to give them exemption from the operation of the copyright acts. * * *"

It was so decided in

Stevens vs. Gladding, 17 How., 447,

and

Patterson vs. *Ogilvie, 119 Fed., 453,*

where the plates were sold on execution, but in the English case a right to publish was sold with the plates by the owners of the copyright.

It is difficult to distinguish this case in principle.

In the case at bar the question corresponding to that asked by ROMER, *L. J.*, would be this:

> Can you gather from the fact of a restricted sale of books any representation that the holders of them for the time being

RUBBER COPY

> should have the right of selling the books without regard to the restriction, so as to give them exemption from the operation of the copyright acts?

We submit that the answer to this question must be in the negative and is involved in the language of Mr. Justice CURTIS, *in Stevens* vs. *Gladding* (*17 How., 447*):

> "What rights would pass by such a sale would depend on the intention of parties, to be gathered from their contract and its attendant circumstances."

The owner of a copyright may sell with any conditions and limitations that he pleases the blocks used to produce the copyright article and the copyright law will protect him in so much of the field of production or use as he has reserved to himself. The mere transfer of title is not conclusive. In patent law this principle once established was extended to the "field of sale" and permits the patentee to control retail prices.

> *Victor Talking Machine* vs. *The Fair. National Phonograph Co.* vs. *Schlegel, supra.*

There is no reason why the same rule should not apply in copyright law.

If a man may sell stereos and give authority to produce the copyrighted article at certain prices (as in *Murphy* vs. *Christian Press Association*), or for certain purposes (as in *Cooper* vs. *Stephens* and *Marshall & Co., Ltd.*, vs. *Bull & Co., Ltd.*), and yet reserve portions of his monopoly, why may he not also sell the copyrighted article itself on conditions as to the price at which it may be resold or the uses to which it may be put by the vendee? If he does so, and the vendee assents to the conditions,

why are not the vendee's rights and the rights of those claiming under him, with notice, limited by the conditions?

If the owner of the copyright and the vendee of the copyright article agree that the vendee shall have only limited rights therein, how can he be said to obtain unlimited rights by the transaction?

If the vendor, with the consent of the vendee, expressly reserves a portion of his monopoly in the thing sold, how can the vendee invade the reserved portion of the monopoly which he has expressly agreed to respect? And how (except on some principle of estoppel) can the vendee authorize another to do what he cannot himself do?

POINT VIII.

It is respectfully submitted that the opinion of the Circuit Court of Appeals is not sustained by authority.

The learned judge in his opinion (*147 Fed., 20*) cited three cases,

Bill Publishing Co. v. *Smythe* (*C. C.*), *27 Fed., 914*,

Harrison vs. *Maynard, Merrill & Co.*, *10 C. C. A., 17; 61 Fed., 689*,

and

Bobbs-Merrill Co. v. *Snellenburg* (*C. C.*), *131 Fed., 530*.

An examination of these cases will show that they do not sustain the rule laid down by the court. (*a*) *Bill Publishing Co.* vs. *Smythe, 27 Fed., 914*, is also cited by Judge RAY and by Judge HOLLAND in *Bobbs-Merrill Co.* vs. *Snellenburg*.

This case was decided in 1886. The complainants sold books only by subscription. The defendants surreptitiously obtained copies from the publishers' agent. The court enjoined him from selling them. The decision is an authority in our favor. The learned judge, however, stating his unfamiliarity with the law of copyright, went on to speculate about it, the speculation and discussion, however acute and ingenious, being obviously unnecessary to the decision of the question before him.

There are in the opinion *dicta*, plainly *obiter* and supported by no authority, which are opposed to our contention here. In view of the line of recent well-considered decisions cited in Points III, IV, V, VI and VII, it is submitted that Judge HAMMOND'S *dicta* should have little weight.

The decision is highly technical. It is decided by the Court in the *Bill Company* case, and was decided by the learned Trial Judge in the case at bar, that the owner of a copyright may employ agents to sell his books by subscription only and may thus control under the copyright law the method of sale and the price of his books. If, however, he attempts to accomplish the same result through the same agents in precisely the same way, except that title to the books is vested in the agents, the transaction is said to pass out of the protection of the copyright statute. Why should this doctrine be asserted? There is, as we have seen, nothing like it in patent law. Mere questions of title are important in the law of sales, attachment, execution, insurance and the like, but (except so far as they relate to the acquisition of the monopoly itself), they have never been considered essential in the law of literary property, which usually considers the substance and effect rather than the form of transactions.

For example, the publication which is necessary to copyright and which, in the absence of copyright,

destroys literary property, is a question of substance and intention, not of form.

Sometimes the giving or sale of the original or of a replica or of copies is not a publication; sometimes the mere renting of copies is a publication.

Where there is a restricted publication no rights inconsistent with the restriction are surrendered. There may be a sale of the subject of copyright separate and distinct from the sale of the copyright therein.

Werckmeister vs. *Am. Lith. Co., 134 Fed., 321.*

Press Publishing Co. vs. *Monroe, 19 C. C. A., 429; 73 Fed., 196.*

The Jewelers' Mercantile Agency vs. *The Jewelers' Weekly Pub. Co., 155 N. Y., 241.*

Werckmeister vs. *Springer Lith. Co., 63 Fed., 808.*

Caid vs. *Syme, 12 App. Cas., 326, 344.*

Bartlette vs. *Crittenden, 4 McLean, 300; Fed. Cas. No. 1076.*

Prince Albert vs. *Strange, 2 De G., 652.*

Ladd vs. *Oxnard, 75 Fed., 729.*

Queensberry vs. *Shebbeare, 2 Eden., 329.*

Ex. Tel. Co. vs. *Gregory, 1896; 1 Q. B., 147.*

Kiernan vs. *Manhattan Quotation Co., 50 How. Pr., 194.*

Aronson vs. *Baker, 43 N. J. Eq., 365, 369, 370.*

Cooper vs. *Stephens, 1895, 1 Ch., 567.*

Blunt vs. *Patten, 2 Paine, 393; Fed. Cas., 1579.*

French* vs. *Kieling, 63 Fed., 621.

Drummond vs. *Altemus, 60 Fed., 338.*

N. Y. State Dental Soc. vs. *Dentacura Co., 57 N. J. Eq., 693.*

Tuck vs. *Priester, L. R., 19 Q. B. Div., 629.*

All this applies literally to *The Henry Bill Publishing Co.* case and not less to the cases at bar, for the defendants' contention, sustained below, is that the right to vend passes as an incident of the sale of the copies, notwithstanding the express reservation of it by the publisher at the time of the restricted sale and (in the Scribner cases) the express assent of the jobbers to the restriction and their agreement that the sale shall be made only upon condition.

(*b*) In *Harrison* vs. *Maynard, Merrill & Co., 61 Federal, 689; 10 C. C. A., 17,* a decision by the Court of Appeals, in the Second Circuit, copyrighted sheets had been sent by the plaintiffs, who were publishers, to Alexander, a binder. In his shop the sheets were partially destroyed by fire. Alexander, with complainants' consent, sold them to one Fitzgerald, with other debris. Fitzgerald resold them to Italian dealers in waste paper, who agreed that they should be sold as paper stock only. Some one bound the books and resold them to the defendants, who had no knowledge of any restriction.

The injunction was set aside. The Court notes that

> "the complainant, which was the owner of the copyright, permitted Alexander to sell *absolutely* all its copyrighted books in his cellar, and that his vendee obtained the entire legal title to these damaged volumes."

The restrictions were imposed *not by the owner of the copyright but by the vendee of the books,*

and even of these restrictions the defendant was ignorant.

Clearly, the result of this case would have been the same under the rules for which we contend.

Nor is the opinion inconsistent with our contention.

The learned judge contrasts the rights of a publisher who has retained the title to his book to protect it under the copyright law with the rights of the owner of a copyright "*who has parted with all his title to* (a book), *and has conferred an absolute title* to the copy upon a purchaser, though with an agreement for a restricted use" (61 Fed., 691).

"*The copy having been absolutely sold to him,*" the purchaser may treat it as his own. The court discussed the effect of an agreement for restricted use contemporaneous with the sale; *but the case of a conditional or restricted sale was not before the court, and was not considered in the opinion.*

So far as it goes, the case of Harrison *vs.* Maynard, Merrill & Co. defines copyright monopoly precisely as the patent monopoly has been defined. By an unrestricted sale a patented article passes out of the protection of the Patent Law.

Robinson on Patents, Secs. 824, 826;
Holliday vs. *Matthewson, 24 Fed., 185,*

but such effect would not follow an unrestricted sale by an agent who had no right to make it to a purchaser who knew of the limit to the agent's powers. This follows from the general law of agency and needs no citation of authority.

Harrison vs. *Maynard, Merrill & Co.* shows that the monopoly of a copyright and the monopoly of a patent have like effect in the case of an absolute sale of the articles protected by them and also in the case where the owner of the monopoly retains the legal title to the article.

Why, if the monopolies resemble each other in

these cases, should they differ from each other in the case of a *conditional sale?*

So, in *Chaffee* vs. *Boston Belting Co.* (*22 How., 217*), this Court said in the strongest way that a sale of a patented article freed it from the monopoly. But the idea of a restricted or conditional sale was not before the court, and this has not hindered the courts from holding other views as to restricted or conditional sales in patent cases.

POINT IX.

It is respectfully submitted, on behalf of Charles Scribner's Sons, that the decision of this Court in the Bobbs-Merrill case (No. 176) should recognize the principles of law above set forth.

The arguments relating to the particular facts appearing in the Scribner cases (Nos. 204 and 205) are set forth in the briefs filed in those cases.

Respectfully submitted,

STEPHEN H. OLIN,
Of Counsel for Charles Scribner's Sons.

Office Supreme Court, U. S.
FILED.
MAR 10 1908
JAMES H. McKENNEY,
CLERK.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1907.

No. 176.

THE BOBBS-MERRILL COMPANY, APPELLANT,

vs.

ISIDOR STRAUS AND NATHAN STRAUS, COPARTNERS, DOING BUSINESS UNDER THE FIRM NAME OF R. H. MACY & CO., APPELLEES.

APPENDIX TO BRIEF FILED BY STEPHEN H. OLIN ON BEHALF OF CHARLES SCRIBNER'S SONS.

(No. 20,496.)

["Times," London, Dec. 19th.]

LAW REPORT, DEC. 18.

SUPREME COURT OF JUDICATURE.

COURT OF APPEAL.

(BEFORE THE LORD CHIEF JUSTICE OF ENGLAND, LORD JUSTICE BUCKLEY, AND LORD JUSTICE KENNEDY.)

NATIONAL PHONOGRAPH COMPANY (LIMITED)

v.

EDISON-BELL CONSOLIDATED PHONOGRAPH COMPANY (LIMITED).

Rival Dealers in Phonographs.

This was the plaintiffs' appeal from a decision of Mr. Justice Joyce (reported 23 *The Times* Law Reports, 189), in an action in which the plaintiff company sought by their pleadings (*inter alia*) an injunction to restrain the defendant company from inciting or procuring any persons or firms, who had entered into agreements with the plaintiff company for the sale of their goods, to break such agreements to the detriment of the plaintiff company. It appeared that the plaintiff company dealt in Edison phonographs and phonographic goods, and they claimed to be the only firm in this country to whom such goods were consigned from America. In carrying on their business of selling these goods the plaintiffs required all wholesale and retail dealers

whom they supplied to sign agreements, one of the terms of which was that they must not resell to any dealer who had not signed an agreement with the plaintiffs, nor to any dealer who was on the plaintiffs' "suspended list." The plaintiffs alleged that no person who had not entered into one of their agreements was able to purchase the plaintiffs' goods except by paying the full retail prices therefor. The plaintiffs complained that the defendant company, who were on their "suspended list," had by various means induced certain dealers, who were under agreement with the plaintiffs, to break their agreements by selling Edison phonographs to the defendant company at less than the full retail prices. They alleged that what the defendants were doing was calculated to inflict, and had, in fact, inflicted upon them considerable damage in their business, and they asked for an injunction accordingly. The facts, so far as material, as found by Mr. Justice Joyce were as follows:—In one of the transactions upon which the plaintiffs based their action the parties were one Presland, who was employed by the defendant company, and one Ell, who, under the style of the Great Eastern Rubber Company, dealt in phonographic materials at 156, Bishopsgate-street without, and who had in January, 1903, put his name to what the plaintiffs called their retail dealer's agreement. That agreement, which was appended to a printed document intituled "retail dealer's price list, terms, discounts, and conditions of sale" was itself a printed form with a blank to be filled up in writing. No. 1 of the conditions of sale referred to was in these terms:—"Retail dealers must not give away or sell or offer for sale, either directly or indirectly, Edison phonographs, records, or blanks at a discount, or at less than current list prices, nor to dealers who are on our suspended list, nor include with a machine at list price any extra material or supplies not listed to go with same as a regular outfit." No. 2:—"Giving away or selling other goods at less than current prices, in order to induce the sale of Edison phonographs or records, will be a violation of the conditions hereof." No. 7:—"Dealers violating any of the above conditions, or failing to pay accounts due to the National Phonograph Company (Limited), may be at once cut off from any further supply of goods and placed on the suspended list." It was not alleged or suggested that the defendant company had been guilty of any such act or default as referred to in condition No. 7; but the plaintiffs for some

reason or other had in fact placed the name of the defendant company on the so-called "suspended list." Ell procured for the defendant company from Simpson and Co., the wholesale dealers who ordinarily supplied him, certain of the plaintiffs' goods at less than the prescribed retail prices specified in the retail dealer's agreement which had been signed by him. The plaintiffs maintained that by so doing Ell committed a breach of his agreement, and that the defendant company, through Presland, induced and procured him to commit this breach, and that, without suing Ell at all, the plaintiffs could maintain this action against the defendant company for damages and an injunction to restrain the defendant company from procuring Ell or other persons in a similar position who had signed a retail dealer's agreement to sell goods obtained from the plaintiffs to the defendant company at trade discounts not permitted by the retail dealer's agreement, or which the retail dealer's agreement purported to forbid. Ell never dealt or communicated directly with the plaintiffs at all, but he obtained their goods from Simpson and Co., wholesale dealers. Before doing business with Ell, Simpson and Co. required him to sign the retail dealer's agreement at the foot of the document, which was in these terms:—"In consideration of the sale of Edison phonographs, records, and blanks to me at current retail dealer's discounts by (blank) and after carefully reading the above price list, terms, discounts, and conditions of sale, I hereby agree with the National Phonograph Company (Limited) to conform with and adhere strictly to and be bound by the same." That was signed by Ell. Between Ell and the plaintiffs there was no contract other than that, if any, which is expressed in that document. The other transaction, and upon which it was sought to found the claim to an injunction to restrain the defendant company from procuring persons to enter, under false names, into agreements with the plaintiffs for the purchase of their goods with trade discounts was as follows:—It was alleged that two persons, Hughes and Leach, connected with the defendant company, applied in assumed or fictitious names to wholesale dealers in the goods of the plaintiffs, who had entered into what were called factors' agreements, and after signing the form of retail dealer's agreement already mentioned, obtained goods with the usual trade discounts and handed or transferred such goods to the defendant company. The plaintiffs repu-

diated the agreements signed by Hughes and Leach altogether, and declined to accept or recognize the persons who had signed them as being retail dealers. Clause 4 of the agreement, which factors were required to sign, and which the plaintiffs called the factors' agreement, was as follows:—"Factors must not sell or supply or place on consignment, either directly or indirectly, Edison phonographs or parts thereof, records, or blanks to any dealer who has not signed the agreement required by the National Phonograph Company (Limited) governing and controlling the sale of same, nor to dealers who are on our suspended list." Clause 10 provided that "Factors violating any of the above conditions . . . may be at once cut off from any further supply of goods and placed on the suspended list." Mr. Justice Joyce held that the plaintiffs' action was not maintainable.

Mr. CRIPPS, K. C., and Mr. COMPSTON (Mr. Walter, K. C., with them), for the plaintiffs, contended that Mr. Justice Joyce was wrong in dismissing the action. The breach of contracts, either as regards the wholesale or retail agreements, induced by the defendants brought them within the principle of Lord Macnaghten's judgment in "Quinn *v.* Leathem" (1901, A. C., 495)), and especially within the passage at p. 510, where he said that that action was maintainable "on the ground that a violation of legal right committed knowingly is a cause of action, and that it is a violation of legal right to interfere with contractual relations recognized by law if there be no sufficient justification for the interference." This class of case began with "Lumley *v.* Gye" (2 E. and B., 216). That case and "Bowen *v.* Hall" (6 Q. B. D., 333) were cases of interference with contracts for personal service, but in "Temperton *v.* Russell" (1893, 1 Q. B., 715) it was held that it was not only for the breach of such a relationship that an action would lie in those cases. It was, however, thought by Lord Esher, in the last-mentioned case, that the plaintiff still had to prove malice—a view which had not been approved in later cases—see "South Wales Miners' Federation *v.* Glamorgan Coal Company" (1905, A. C., 239). Here a breach of contract was, in fact, committed in both cases, and damage ensued to the plaintiffs. The case of "Exchange Telegraph Company *v.* Gregory" (1896, 1 Q. B., 147), in which it was laid down that proof of specific damage need not be given, was practically on all

fours with the present case. The question then remains, Was there any justification for the interference with the plaintiffs' legal rights? It was clear that a merchant could refuse to sell his goods to any particular person or class of persons. The plaintiffs did nothing that prevented the defendants selling other machines. The defendants' policy was to benefit themselves and not to redress any wrong done by the plaintiffs. There was no justification, therefore, for what the defendants did.

Mr. HUGHES, K.C., and Mr. J. G. WOOD, for the defendants, submitted that, as to Ell's case, there was no privity between the plaintiffs and Ell, and there was nothing to show that Ell knew that the defendants were on the suspended list. As to the factors' case, the factors undertook with the plaintiffs that they would not sell to persons on the suspended list; but the fact that the factors sold to persons sent by the defendants in fictitious names was not an actionable wrong. All of the cases cited on behalf of the plaintiffs to support the contrary proposition depended largely upon the combination of certain persons to force others to fall in with their wishes, and had to be read in that light. Further, it was to be observed that the factors' agreement was a self-contained document, and the court must find from that the persons with whom the plaintiffs sought to prevent the factors selling these articles. The only condition as to the suspended list was in Clause 10, which specified the class of persons who might be put upon it. That did not include any one whom the plaintiffs might choose to put upon it, but only those who had not fulfilled certain conditions, and that did not apply to the defendants. The plaintiffs, therefore, had no right to put the defendants' name on what they call the suspended list. The factors were in no sense agents of the plaintiffs, and the latter, therefore, could not impose upon the former any conditions other than those contained in the agreement. Moreover, the plaintiffs had failed to establish that they sustained any damage. The plaintiffs obtained for the phonographs exactly the same price as they would otherwise have obtained. Further, what was done by the defendants was done to benefit their business, not to injure the plaintiffs' business.

Mr. COMPSTON replied.

The arguments were concluded on November 26, when judgment was reserved.

The Lord Chief Justice: In this case I have had the advantage of reading the judgments which have been prepared by my brothers Buckley and Kennedy, and I desire to add nothing to the statement of the law embodied in the judgment of my brother Lord Justice Buckley. But, having regard to the view expressed by my brother Joyce, and as I am differing from him on one part of the judgment, I think I ought to state briefly the reasons which have prevented me from being able to concur in that judgment. It is, in my opinion, clearly established that an illegal act causing injury to a person, or to his rights of property, is an actionable wrong and affords ground for an action on the case. It is not necessary for me to detail at length the facts, as they are very clearly stated in my brother Joyce's judgment, and it is not necessary that I should repeat them. They appear also, of course, in the report of the case. It is only necessary for me to say that the part of the judgment of my brother Joyce from which I differ is that in which he thinks that the plaintiffs have not established a cause of action in respect of the transactions between the defendants and the factors. Now, for that purpose, all that I need read is the condition in what is called the factors' agreement—I should call them "wholesale agents"; but, however, "factors" is the word that has been used, and I adopt it. "Factors must not sell or supply, or place on commission either directly or indirectly, Edison phonographs, or parts thereof, records, or blanks to any dealer who has not signed the agreement required by the National Phonograph Company (Limited) governing and controlling the sale of same, nor to dealers who are on our suspended list." It was suggested in argument that this restriction imposed by the plaintiffs upon the factors was open to some objection. I am unable to appreciate upon what ground any such objection can be found. The defendants were competitors in trade with the plaintiffs—I think it may not unfairly be said the principal competitors of the plaintiffs. The sale of phonographs carries with it, to a very large extent, the sale of records for use on the instruments, and I can see no reason why the plaintiffs are not entitled to say, we will take all legitimate means in our power to prevent our instruments being sold by our competitors, as we know that if they are in a position to sell our instruments they will, to a large extent, interfere with the sale of the records which are to be used with such in-

struments. One does not want to enter into any controversial matter between these parties more than is necessary. The defendants' firm had undoubtedly the right to call themselves "Edison-Bell," and to call their instruments "Edison-Bell." That had been the subject of a previous dispute, and was finally settled by a consent order and bargain between the parties, and it was not disputed that the plaintiffs were the persons who were able to import into this country what was suggested to be the last development or improved phonograph, and, therefore, inasmuch as it was obviously desirable to be able to sell these phonographs, and inasmuch as it is common ground that the sale of the phonographs does carry with it a considerable business in records, I cannot see any objection to a rival in the trade saying I will not, if I can help it, let my machine be at the disposal of my rivals in the trade. Under the circumstances, the factors having purchased goods upon the terms, as I have already said, that they should not be sold to the defendants—because there is really no doubt that the defendants' name was on the suspended list; the action of the defendants shows that it was, and that they knew it—the defendants, by fraud, induced the factors to sell instruments to them. Now I pause to say that it is, to my mind, a practical commentary on what I have said that the competitors in trade know that they cannot get these goods, so to speak, openly without going to the defendants' agents openly. They want them for the purposes of competition, and they adopt fraudulent means to get them. Now it seems to me that if such fraudulent action has caused injury to the plaintiffs' trade, or is likely to cause injury to the plaintiffs' trade, an injunction ought, in my opinion, to be granted to put a stop to such a practice, and, if damage is proved, then there ought to be an inquiry as to damages. Now I certainly come to the conclusion that such conduct, when we know that the possession of the phonograph, whosoever it be, does largely control or affect the trade in the records to be used, quite apart from the mere fact that the plaintiffs have got the purchase price of the phonograph—I think that such action is likely to cause damage, and I think there is sufficient evidence that it had, in fact, caused damage. Therefore, I think there should be an injunction to restrain the defendants from, by fraudulent and improper means, inducing the factors to break that term of their direct agreement with the plaintiffs. As to

the form of the injunction I am not sure that I am quite in a position myself to say what its terms should be, and possibly the learned counsel for the plaintiffs will assist us in that respect. With regard to the retail dealers, I entirely concur with the judgment of my brother Joyce, but I had better just state why. I doubt very much whether there was a contract between the retail dealers and the plaintiffs. I will not say that, under some circumstances, the wholesale factors may not be the agents of the plaintiffs to make a contract with the retail dealers, but I do not think that was established in this case. I do not think the case proceeded on that basis. I think I should require a good deal more evidence as to the terms and circumstances of the contract before I came to the conclusion that there was a contract between the plaintiffs and the retail dealers, as distinguished from the contract between the factors and the retail dealers. Secondly, in my opinion, another main objection to the plaintiffs succeeding in this case is that the defendants did not use any fraudulent means to obtain the instruments from the retail dealers. The retail dealers knew perfectly well that they were selling to the defendants, and, further, with regard to the Ell transaction—that is the transaction with Mr. Ell—there is no evidence that that particular transaction caused any damage to the plaintiffs at all. I am therefore of opinion that the judgment should be varied by granting an injunction in respect of the conduct of the defendants with respect to the factors, and that the judgment should be affirmed in so far as it attempted to base a cause of action on the transaction with the retail dealers.

Lord Justice Buckley read the following judgment:—The respondents have addressed to the Court an argument to the effect that the defendants, the Edison-Bell Company, were not on the Suspended List in the sense in which those words are employed in the factors' agreements. In my opinion there is nothing in the point. The defendants were, and knew that they were, and used deceit because they were on the Suspended List. Those words in the factors' agreements include, no doubt, factors who, under Article 10, are placed on the Suspended List, but there is nothing to confine the words to that class of persons. The relevant facts are that by contract subsisting between the plaintiffs and the factors the latter were contractually bound to the former not to sell to the defendants, and that the defendants, by deceit,

induced the factors to sell to the defendants contrary to the duty which the factors contractually owed to the plaintiffs. The question to be determined is whether it is an actionable wrong that the defendants have, by deceit, induced the factor, who had contracted with the plaintiffs, to act contrary to the duty which he contractually owed to the plaintiffs. The law bearing upon the matter has been exhaustively considered in three recent cases in the House of Lords—namely, "Allen *v.* Flood" ([1898] A. C., 1); "Quinn *v.* Leathem" ([1901] A. C., 495); and the "South Wales Miners' Federation *v.* The Glamorgan Coal Company" ([1905] A. C., 239). In the speeches of the learned Lords in these cases, the earlier authorities from "Lumley *v.* Gye" (2 E. and B., 216), onwards have been exhaustively examined and discussed. No useful purpose could be answered by attempting to travel through the cases again. I take the law which I have to apply from two passages which I will read. In "Allen *v.* Flood" Lord Watson says:—"There are, in my opinion, two grounds only upon which a person who procures the act of another can be made legally responsible for its consequences. In the first place, he will incur liability if he knowingly and for his own ends induces that other person to commit an actionable wrong. In the second place, when the act induced is within the right of the immediate actor, and is therefore not wrongful in so far as he is concerned, it may yet be to the detriment of a third party; and in that case, according to the law laid down by the majority in 'Lumley *v.* Gye,' the inducer may be held liable if he can be shown to have procured his object by the use of illegal means directed against that third party." In "Quinn *v.* Leathem" Lord Macnaghten says:—"Speaking for myself, I have no hesitation in saying that I think the decision" ("Lumley *v.* Gye") "was right, not on the ground of malicious intention—that was not, I think, the gist of the action—but on the ground that a violation of legal right committed knowingly is a cause of action, and that it is a violation of legal right to interfere with contractual relations recognized by law if there be no sufficient justification for the interference." The respondents sought to argue that the principles found in the cases to which I have referred are confined to cases of conspiracy. The argument, I think, is not well founded. The judgments are not based on the existence of a conspiracy. Lord Lindley, in "Quinn *v.*

Leathem," on page 537, says:—"One man exercising the same control over others, as these defendants had, could have acted as they did, and, if he had done so, I conceive that he would have committed a wrong towards the plaintiff for which the plaintiff could have maintained an action."

The respondents further argued that an action will not lie unless the defendants' act was intended to damage the plaintiffs. Assuming, contrary as I think to the fact, that it could be maintained in this case that the act of these defendants was not intended to damage these plaintiffs, the proposition is not, I think, one which can be maintained. I find Lord Halsbury, in the South Wales Miners' case, saying that if the miners were sincerely in the belief that their employers would benefit by their collieries being interrupted that was no sort of excuse for breaking a contract when the co-contractor refuses to allow the breach. I proceed, then, to apply the words of Lord Watson and Lord Macnaghten to the facts of this case. These defendants knowingly, and for their own ends, induced the factors to sell to them contrary to the duty which the factor owed to the plaintiffs. The factor was deceived, and, for that reason, an action for breach of contract may not lie against him. He acted innocently, and did not voluntarily commit any breach of his contract. In my judgment this does not differentiate the present case in the respondents' favour from the first proposition found in Lord Watson's words. The defendant is in no better case because the wrong to the plaintiff, which, in fact, was done, was, by reason of the defendant's deceit, done innocently so far as the factor was concerned.

Again, if this is not well founded, then, in my judgment, Lord Watson's second proposition at any rate applies. Assuming that the act induced was within the right of the factor in the sense that he, being innocent, did no wrong, and was therefore not wrongful so far as the factor was concerned, yet it was to the detriment of a third party—namely, the plaintiffs. In that case, says Lord Watson, the inducer, that is, the defendants, may be held liable if the defendants can be shown to have procured their object by the use of illegal means and directed against the plaintiffs. The deceit which the defendants practiced brings them, I think, exactly within these words. Let me now take Lord Macnaghten's words. The act which the defendant did was, I think, a violation of a legal right of the plaintiffs, because it interfered with the contractual relations subsisting between the plaintiffs

and the factors, and there was no sufficient justification for such interference. But there is another ground upon which the same conclusion may be based, and that is interference with the rights of property. The business of the plaintiff company was property. The sale of phonographic machines induced the purchase, by the purchasers of such machines, of accessories to be used with them, the principal subject-matter being records, whose sale produced a profit much larger than that made on the machine itself. The purchase by the defendants of the 700 or other number of machines which they, in fact, bought might affect the subsequent sale by the plaintiffs of the records, and thus affect the plaintiffs' property in their business. "No man," says Lord Bowen, in the "Mogul Steamship Company *v.* M'Gregor" (23 Q. B. D., 598, at p. 614), "whether trader or not, can, however, justify damaging another in his commercial business by fraud or misrepresentation. Intimidation, obstruction, and molestation are forbidden, so is the intentional procurement of a violation of individual rights contractual, or other, assuming always that there is no just cause for it." In the "Exchange Telegraph Company *v.* Gregory" (1896, 1 Q. B., 147) an action was held to be maintainable which thus affected property. It is the third case put in Lord Justice Rigby's judgment—that is to say, "an attack made on the right or interest of persons in the business they carry on." In such case, he says, the fact of damage is the thing which brings the defendant into relations with the plaintiff. Upon these grounds I think that it was an actionable wrong that the defendants, by deceit, induced the factors to act contrary to the duty which they contractually owed to the plaintiffs, and that this action will lie. The case of the retail dealers, to which the learned Judge directed the principal part of his judgment, stands in a different position. The case proved is that of the purchase from Ell. I need not stay to consider whether the plaintiffs can make out an agreement between the plaintiffs and Ell, the retail dealer, upon the footing that Simpson, the factor, was the plaintiffs' agent to obtain the signature by Ell of the agreement expressed to be made with the plaintiffs. That question has not been thoroughly argued. Assuming that such an agreement could be made out, it remains that the defendants in the case of Ell practiced no deceit. Ell was told that the goods were for the defendants, and thought that they were entitled to have them. He did it to oblige the Edison-Bell Company, and

handed on the goods at the price which he paid for them, making no profit. I say no more about the case of the retail dealers. As regards the factors, I think there was an actionable wrong. Marks's evidence is, I think, sufficient to support an inquiry as to damages and an injunction in proper terms. It seems to me that it would be right to grant an inquiry as to damages and an injunction to restrain the defendant company, their servants and agents, from inducing any person or firms who have entered into factors' agreements with the plaintiff company to deal with the defendant company in goods of the plaintiff company by representing or leading to the belief that the purchaser is not the defendant company. But I am willing to hear what the parties have to say as to a proper form of injunction, for, although at the hearing of the appeal I invited the plaintiffs to formulate the exact form of injunction to which they were entitled, I obtained no substantial answer to that question, and the defendants have had no opportunity of testing the exact form in which the injunction should go. I think the appeal should be allowed and an order made in the above terms.

Lord Justice Kennedy read the following judgment:— In this case the plaintiffs' claim for damages and an injunction is based upon two distinct sets of circumstances, with which I will deal in the same order as that in which they have been dealt with in the judgment appealed against. The real defendant is the defendant company. The other defendants are practically nominal defendants only. The plaintiffs deal in phonographs and phonographic goods. These they sell to wholesale traders, whom they call factors, and they in their turn resell to retail dealers. The plaintiffs act upon a system of restrictive and exclusive trading. They exact from the factors who purchase from them an agreement not to sell to retail dealers except for certain discounts which the plaintiffs prescribe; not to sell to any retail dealers who will not sign an agreement form to which I will presently refer; and not to sell to any person whose name is in a list which they describe as "our suspended list," and which, although it is in the agreement itself only stated to include those who are referred to in the seventh condition, is a list in which the plaintiffs include the name of any person whom they choose in this way to proscribe. If a factor fails to observe any of these or certain further stipulations of the agreement, he may be at once cut off from any further supply of goods and be placed on the suspended list. The retail dealer's agreement,

which he must sign and give to the factor before he can buy from the factor, purports to bind the retail dealer (*inter alia*) not to sell to any one at a discount or at less than current list prices, or to any dealer who is on the plaintiffs' suspended list. If a retail dealer fails to observe any of the stipulations, he may be placed by the plaintiffs on their suspended list, and so be cut off from any further supply of goods. The justification alleged by the plaintiffs for this exclusive system consists, as alleged by them, in the maintenance of price and the encouragement to hold large stocks of the plaintiffs' wares, which the assurance of this is said to afford to factors and dealers. The exclusion which insertion in the plaintiffs' list declares is intended by the plaintiffs to act, first, in the case of factors and dealers, as a deterrent against transgression of any of the stipulations of their respective agreements which the plaintiffs wish to enforce; and, secondly, as a hindrance to competing firms, who sell either their own make of phonographs and phonographic accessories, or similar kinds of goods which have been manufactured by firms—of whom there are several—other than the plaintiffs, and from whom, if they were able to sell the plaintiffs' phonographs, the purchaser of a phonograph would very likely also buy the records (inasmuch as all the records are constructed for use in connexion with any phonograph) which the competing firms supply at a lower price (1s., as against 1s. 6d.) than the plaintiffs. The plaintiffs allege that experience indicates that a buyer is likely to get his records from the firm from whom he has bought his phonograph, and, therefore, a buyer who purchases from the defendants, or from any other of the plaintiffs' competitors, one of the plaintiffs' order of phonographs will probably not go to one of the dealers to whom they supply them to buy the more expensive records of the plaintiffs' make, but will buy the cheaper records produced by the defendants or by the other firms. The buyer of a phonograph may buy for his own instrument a hundred or two hundred, or even more records. The defendant company, towards whom the plaintiffs evidently entertain no very friendly feeling, are sellers as well as manufacturers of phonographs and phonographic accessories, and wanted to procure and be able to supply customers with goods of the plaintiffs. The plaintiffs desire to prevent the defendant company from having this trade, and to that end they have placed the name of the defendant company in the suspended list. The defendant company has sought (I take the words

from the finding of the learned Judge on the fourth page of the printed judgment), "to frustrate to some extent the design of the plaintiffs to embarass them in their business." The question, which my brother Joyce has answered in the negative, is whether or not the defendant company has committed an actionable wrong in the execution of their attempts. The first claim of the plaintiffs arises under the following circumstances:—In the latter part of the year 1904 the defendants sent one of their *employés*, Presland by name, to a Mr. Ell, who carried on business as a dealer in phonographic materials in the City of London. In July, 1903, on the occasion of a purchase from one Simpson, a factor, of some of the plaintiffs' goods, Ell had signed a document in the terms of the retail dealer's agreement. Presland saw Ell in reference to obtaining some of the plaintiffs' phonographs for the defendant company, and Ell arranged to get, and did get, for the defendant company, from Simpson, 25 machines, purchasing himself and paying Simpson for the machines at the price at which Simpson was authorized by the factors' agreement to sell the machines, and receiving the money from the defendants in order to enable him to make the payment to Simpson. Ell made no profit out of the transaction. Ell apparently thought that the defendant company was entitled to have the machines, and he acted without any advantage to himself, and simply to oblige the defendant company. Having regard to his previous answer at page 2 of the printed evidence and the form of the question to which it is an answer, I think that the word "knew" in the last sentence of Ell's cross-examination evidently is misprinted for "know," and that Ell was there referring to information acquired afterwards.

The plaintiffs in respect of this transaction claim damages and an injunction, alleging that the defendants committed an actionable wrong towards them by procuring and inciting Ell to break his retail dealer's agreement, first, by selling to the defendants, or procuring from Simpson for the defendants, these 25 phonographs at a price less than the retail price specified in the retail dealer's agreement; and, secondly, by selling to the defendant company, although the defendant company was on the suspended list. We now come to the plaintiffs' second and separate head of claim. The defendant company, by two servants or agents named Hughes and Leach, bought from certain factors who had in stock goods of the plaintiffs' manufacture and had signed

the factors' agreement a certain number (I think about 19 in all) of the plaintiffs' machines and tried to obtain more in the same way. Hughes and Leach bought at "agreement" prices—that is, at prices approved by the plaintiffs. But, in order to effect the purchases, Hughes and Leach in each case untruly represented themselves as independent dealers, and when they bought the goods and signed the retail dealer's agreement form gave to the factors fictitious names and fictitious addresses, so that the factors did not know that they were selling to the defendant company or to servants of the defendant company, or to any person on the plaintiffs' suspended list. There can be no doubt that this method of purchase was authorized by the defendants. That Hughes and Leach and the defendant company which employed them did what was morally wrong is patent. They induced the factors to sell these goods to them by an untrue representation, not indeed in order to defraud either the factors or plaintiffs in any pecuniary respect, for they paid the price which the plaintiffs had authorized the factors to accept; but it must be assumed that, if the factors had known that they were selling to persons who were agents of a firm on the plaintiffs' suspended list, they would not have sold to Hughes or Leach any of the machines which had been obtained from the plaintiffs. The plaintiffs claim that they are entitled to damages from the defendants as having in this transaction incited or procured the factors to sell the machines to the defendant company in violation of the agreements entered into by the factors with the plaintiffs. The learned Judge has given judgment for the defendants in regard to both of the transactions. In regard to the first, which I will call the Ell transaction, he has held, first, that there was no contract existing between the plaintiffs and Ell upon which the plaintiffs could have successfully sued Ell; secondly, that the plaintiffs failed to prove that the defendant company or Presland directly procured or incited Ell to violate the contract, if any existed; thirdly, that, if any contract existed between the plaintiffs and Ell, it did not create a contractual relation between them within the meaning of Lord Macnaghten's judgment in "Quinn *v.* Leathem" ([1901] A. C., at p. 510); and, fourthly, that the plaintiffs had failed to prove the real and actual damage which was essential to their case. I agree with Mr. Justice Joyce as to the first of these grounds; as to the second, which is one of fact, I should be slow to differ from the learned Judge who

himself heard the witnesses give their testimony. If either of these conclusions is correct the plaintiffs' claim on this part of their case fails, and it is unnecessary for the purposes of this appeal to consider the third and fourth grounds on which the learned Judge has also decided adversely to the plaintiffs. I reserve, till I deal with the Leach and Hughes case, any consideration of the question of damage. But, as the question of contractual relation involves a legal point of much general importance, and as, with sincere respect, I am not disposed to concur in the view which Mr. Justice Joyce has expressed, I do not think that, whilst agreeing for other reasons with the result of his judgment on this branch of the case, I ought to pass over the point altogether without comment. The learned Judge holds, at page 6 of his printed judgment, that a valid contract by A with B not to do a particular act or acts—for instance, not to purchase goods from, sell goods to, C—does not constitute upon contractual relation, in the sense in which Lord Macnaghten must be understood to have used that phrase in "Quinn *v.* Leatham," and in substance, as I understand his judgment, that an action at the suit of B against one who procured or incited A to break his contract to do the particular act or acts could not properly be based upon any principles which are laid down in such cases as "Lumley *v.* Gye," "Quinn *v.* Leathem," "South Wales Miners' Federation *v.* Glamorgan Coal Company (Limited)." Now I agree that in these cases, as well as in "Bowen *v.* Hall" (6 Q. B. D., 333) and "Temperton *v.* Russell" ([1893] 1 Q. B., 715), the contractual relation, which the parties sued in those cases were held to have unlawfully interrupted, involved something more than an obligation to abstain from doing a particular act or acts. In each case there subsisted between the contracting parties, by virtue of the contract, that which, for want of a better phrase, I think might be described as a more or less continuous course of dealing, as, for example, personal service, though the case is not confined to personal service, of which without justification the party sued had successfully tried to procure the rupture. I agree with the defendants' counsel that the decision of the Court of Appeals in the "Exchange Telegraph Company *v.* Gregory" (1896, 1 Q. B., 147), cited by the plaintiffs, does not throw light upon this part of the case when carefully looked at. That decision, as is correctly stated at the close of the head note in the Law Reports, simply was that the plaintiffs in that case had a right of property

at common law and were entitled to an injunction to restrain the defendant from infringing that right. And, indeed, in the following passages in his judgment Lord Justice Rigby suggested that there is some limitation—"It is not every procuring of a breach of contract that will give a right of action." I am not aware of any case in which the line or nature of the limitation has been defined. But, if it had been necessary, which it is not, to decide the point, I do not see how, in view of the decisions of the House of Lords to which I have just referred, and of the language used by Lord Watson in "Allen *v.* Flood," Lord Lindley in "Quinn *v.* Leathem," and Lord Macnaghten at page 510 in the same case, I could concur with Mr. Justice Joyce if he has held that in no circumstances could the intentional procurement of a breach of contract not to do a particular act constitute in law an actionable wrong. The case made out by the plaintiffs in regard to the Hughes and Leach transactions appears to me to differ, in important respects, from the Ell transaction. By intentional misrepresentation the defendant company, through their agents or servants, procured from the factors goods of the plaintiffs' manufacture which the factors would not have parted with if they had known that the persons with whom they were dealing were agents or servants of a firm included in the suspended list. There has been, in a sense, a sale contrary to the terms and the intention of the factors' agreement. Then comes the question, did such a transaction constitute, on the part of the factors, in each case an actionable violation of their contract with the plaintiffs, which I assume to be valid in point of law? I do not think it did. The factors did not know, or have reason to suppose that they were selling to the defendants; on the contrary, they were intentionally misled by Hughes and Leach into the belief that they were selling to independent retail dealers, who had their own places of business and were in no way connected with the defendants. The names given by Hughes and Leach were not names on the suspended list. It seems to me that a sale honestly made by a factor under these circumstances ought not, according to the proper interpretation of the agreement, to be held to be a sale to a person on the suspended list, and, as such, constituting a breach of the agreement. The defendants' counsel contended that, if this be so—if the plaintiffs could not successfully sue the factor for damages or justly place him on the suspended list under

the seventh condition—the plaintiffs' case at once fails, because (they argue) the defendants' stratagem, however reprehensible, did not produce a violation by the factors of the contracts with the plaintiffs. I think that this is too narrow a view. I am certainly disposed to hold that if A, who knows that B, the producer of an article, has stipulated in selling it to C, the factor, that he shall not resell it to A, procures by an intentional misrepresentation to C a sale to himself, he has committed towards B an actionable wrong (provided that B can prove he has been thereby damaged) although, in the particular circumstances, B may have no cause of action against C in respect of the transaction.

I agree with the defendants' counsel that the "Exchange Telegraph Company *v.* Gregory and Co." is not an authority for such a proposition, for in that case the subscriber who improperly supplied the defendant with the information in which the plaintiffs had proprietary rights must have known that he was violating his contract with the plaintiffs in so doing. There is no suggestion in the case, as reported, that he did not. But, I think, a sufficient declaration of the soundness of the view which I have expressed appears in a passage in the judgment of Lord Justice Bowen in the "Mogul Steamship Company *v.* M'Gregor" (23 Q. B. D., 614) to which my attention has been drawn:—"No man, whether trader or not, can justify damaging another in his commercial business by fraud or misrepresentation. Intimidation, obstruction, and molestation are forbidden; so is the intentional procurement of a violation of individual rights, contractual or other, assuming always that there is no just cause for it." And in "Allen *v.* Flood" Lord Watson remarks:—"When the act induced is within the right of the immediate actor and is therefore not wrongful in so far as he is concerned, it may yet be to the detriment of a third party, and in that case, according to the law laid down by the majority in 'Lumley *v.* Gye,' the inducer may be held liable, if he can be shown to have procured his object by the use of illegal means directed against that third party." Whilst, however, I so far venture to differ from Mr. Justice Joyce, who has held in his judgment at page 7 that the facts in reference to this part of the case would not support any action by the plaintiffs against the defendant company upon the ground of unjustifiable interference by the defendant company with the contractual relation between the plaintiffs and any one else, still his judgment on this part of the case also will stand,

if we ought to concur with the learned Judge upon the finding as to the absence of evidence of damage with which his judgment concludes. It is indisputable, I think, that damage is the gist of actions such as the present; that in order to succeed and make a good case for either damages or an injunction, damage must be proved; not, indeed, damage in detail or special damage in the narrow sense of that epithet, but actual damage; damage, that is to say, which has been, or, where an injunction is sought against the continuance or the repetition of the act complained of, which will be, the natural consequence of the act complained of. In the present case the learned Judge, on this point, has found as follows:—"Further and at all events the plaintiffs would not succeed in any such action without showing that they had sustained real damage by what Hughes and Leach did, and that has not been proved." The plaintiffs did not and could not allege direct pecuniary damage, but they put their damage thus: First, injury to their business because it is more probable that, if the machines had not been sold to the defendants and had been sold by the factors to retail dealers bound by the retail dealers' agreement, the retail dealers would have bought from the factors, and the ultimate buyers from the retail dealers would have bought from the retail dealers the records of the plaintiffs' manufacture, and, as the defendants got the machines, the records purchased would have been other than records of the plaintiffs; secondly, injury to the plaintiffs' business owing to persons thinking that they could purchase the plaintiffs' machines from the defendant company, and, ultimately, at the defendant company's place of business, being induced to buy Edison-Bell machines; and, thirdly, injury to the plaintiffs' business because, if retail dealers saw machines of the plaintiffs' make in the windows of the defendant company and heard or knew that the defendant company was on the plaintiffs' suspended list, they would infer that the plaintiffs' were incapable of maintaining their agreements, and, therefore, would not stock the plaintiffs' goods. I have felt considerable doubt as to the sufficiency of this proof of damage. The judgment of the Court of Appeal in the "Exchange Telegraph Company *v.* Gregory" was cited by the plaintiffs' counsel. But all that that case decided is that where the infringement of a right of property at common law has been proved, the damage need not be proved in detail. It is enough if the facts proved show that actual and substantial damage is the natural result. The

second and third of the plaintiffs' heads of damage appear to me to be too uncertain and remote to be considered. In regard to the first head—the effect upon the sale of the plaintiffs' records—I have come to the conclusion that there is sufficient substance in it to justify an injunction, and, if they ask for it, an inquiry as to damages, although I cannot help thinking that there will be considerable difficulty in establishing any particular figures of loss. But, certainly, the plaintiffs' witnesses, Mr. Marks and Mr. Lemoin, have given some evidence as to the value of the maintenance of the plaintiffs' exclusive system in regard to their machines as effecting the sale of records, and some evidence that there has been a falling off in their sale of records since the time when, as they suggest, the defendants have interfered with that system by such devices as the defendant company has to admit in the cases of Hughes and Leach, and so obtained, if the defendants are to be believed, several hundreds of the plaintiffs' machines. One ought not, I think, to leave out of sight, in fairness to the plaintiffs in judging of the weight of their evidence upon this question of damage, the inference which may fairly be drawn from the fact that the defendants, a firm of some standing, should have cared so much—presumably for reasons of resulting profit to themselves—to get hold of the plaintiffs' machines that they condescended to a system of deception in order to attain this object. No evidence, it must be remembered, was offered by the defendant company at the trial to answer the evidence given by the plaintiffs as to damage. Upon the whole, whilst I think, upon the point of damages, the case is near the line, and I differ reluctantly from the learned Judge who has tried the case and heard the witnesses on a question of fact, I concur with the Lord Chief Justice and Lord Justice Buckley that, in respect of the Hughes and Leach transaction, the plaintiffs have proved their right to relief.